

UKRAINE

RESULTS REVIEW

AND

RESOURCE REQUEST

USAID/West NIS

March 9, 1998

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INTRODUCTION: FY 2000 UKRAINE R4

ASSESSMENT OF PERFORMANCE OVER THE PAST YEAR

Much has been said and written about Ukraine's slowness or failure to reform. The country's worsening economic and social problems are well documented, as are the steps needed to address them. Although President Kuchma continues to reiterate his commitment to radical economic reform, the Government has not been able to implement a number of key structural reforms. The country's overall economic outlook, and in particular the investment environment, are not improving. Looking back over the past year, it appears true that Ukraine missed a number of important opportunities to move the reform process forward, particularly in terms of meeting conditionality associated with IMF and World Bank financing.

Nevertheless, in assessing the impact of USAID programs for this R4, USAID/Kiev finds that there has been considerable progress toward our objectives, some of it in spite of substantial opposition from anti-reform interests. In fact, in some areas of reform, Ukraine is ahead or among the most advanced of NIS countries, examples include: mass and case-by-case privatization; adoption of international accounting standards; cost recovery; regulation of capital markets; land titling and targeted subsidies. Ukraine is moving in the right direction, albeit not as fast or unambiguously as many had hoped or expected.

One indication that reform is taking place is the uncertainty that characterizes life in Ukraine. As laws and regulations evolve, people struggle to understand the changes and adapt. That reforms taken to date have yet to translate into improved economic conditions for the people of Ukraine is not necessarily because they have not gone far enough. It is also because actual enactment of reform is only the first step in a long and complicated implementation process which Ukrainians are ill-prepared to carry out. Unfortunately, the situation is not likely to improve in the immediate future, especially if reform continues at a slow pace, or if foreign technical assistance and financing are curtailed.

While the specifics of Ukraine's progress to date are detailed in this R4, here are a few examples of key areas where significant results have been achieved in 1997:

- * A macroeconomic policy working group is operational, with daily monitoring of critical indicators and policy analysis support that is helping the GOU to avert a financial crisis and improve economic management.
- * A 1998 budget was adopted on time in accordance with international methodology.
- * A GOU decree restricting government expenditures, mandating cuts in government staffing, reducing the budget deficit target to 2.5%, and requiring cash payment of taxes was enacted.

- * By December 1997, the GOU had privatized over 7,000 medium and large enterprises to a level of at least 70% private ownership. 155 of Ukraine's largest enterprises have been privatized, including 13 giant enterprises. The revenues of top privatizable companies equal 49% of GNP, in addition to those of already privatized companies. In moving forward with cash privatization of large-scale enterprises, the GOU has developed a transparent process for international tenders, among the conditions required for approval of the World Bank's Enterprise Development loan.
- * The Entrepreneurship Law was amended to decrease the number of activities requiring licenses from 100 to 42 -- a positive first step in deregulating the economy.
- * New tax and banking laws with wide-ranging implications were passed and are beginning to be implemented.
- * Commercial banks have converted to international accounting standards, and there are strict new regulations for loan loss.
- * The GOU is following up on its commitment to break up and privatize the grain monopoly.
- * Farm restructuring and land titling have been accelerating since last summer, with close to 300 farms restructured and over 3,500 titles issued.

Also detailed in the R4 are a number of key areas where reform performance has fallen short. Among the most problematic are:

- * There continues to be state interference in the grain market, as well as state involvement in the agriculture sector as a whole. This calls into serious question the potential for USAID's technical assistance strategy to be effectively implemented.
- * Though Ukraine has come a long way in power sector restructuring, the World Bank Electricity Market loan remains on hold. Ukraine's response to concerted multi-donor efforts to help address the financial crisis in the power sector and enable disbursement has been disappointing to date.
- * The GOU has yet to pass a law on the National Bank of Ukraine, which is key to ensuring a safe and sound banking system.

Progress, or lack thereof, in these and other areas is the major consideration in USAID/Kiev's program request for FY 1999 and beyond.

FACTORS INFLUENCING PROGRAM PERFORMANCE

For the foreseeable future, Ukraine will continue to face serious economic and social problems,

with increasing pressure to improve conditions for its people. While it is impossible to predict whether the country's leadership will be able to muster the political will to follow through with the necessary reforms, it is in the interest of their political survival to do so. Leading up to the October 1999 presidential election, the extent to which President Kuchma follows a populist strategy to win re-election will dictate how far he will go to push reforms that improve people's lives and opportunities, such as small business promotion.

A major incentive for the GOU to accelerate reform is the 1998 financing gap, estimated at approximately \$550-800 million by the end of the first quarter and as much as \$3 billion by year's end. Options for addressing this situation are limited: sales of treasury bills and prospects for international borrowing have greatly decreased because of the spill-over effect of the Asian financial crisis. Cutting expenditures and initiating reforms to access IMF and World Bank financing, as well as to increase foreign investment, is the most promising course of action. In the last few months alone, the GOU has made significant progress on meeting conditionality of several World Bank loans. It appears the World Bank will soon agree to release tranches totaling some \$350 million under the Enterprise Development Adjustment Loan II and the Financial Sectoral Adjustment Loan. With the GOU's submission of a financial recovery plan for the energy sector, the Bank may soon reinstate its electricity market loan. Negotiations with the IMF for a 3-year, \$2-4 billion Extended Fund Facility have resumed, with conditionality likely to be focused on a few areas key to macroeconomic stability such as fiscal, banking and public administration reform, and possibly agriculture and energy -- all areas in which USAID technical assistance is heavily involved.

While the GOU is anxious for the EFF to be concluded as soon as possible, it is unlikely to be approved before May. Furthermore, it may be delayed by Ukraine's inability to meet prior conditions. The IMF has indicated it will pursue agreement on an EFF only through the fall. If an agreement is not reached, it plans to pull out. Under the current Stand-by Arrangement, conditions have been waived to permit disbursements in the pre-Parliamentary election period so long as Ukraine adheres to expenditure limits. Whether the GOU will be willing or able to meet these and/or additional conditions in the projected window of opportunity for reform after Parliamentary elections and before the Presidential election heats up, from about May - October of this year, is uncertain. The election of more anti-reform-minded deputies to Parliament may well be an obstacle to further progress on reform, given Ukraine's balance of power between the executive and legislative branches.

FUTURE PROGRAM DIRECTION

In determining the path USAID's program should take, the key questions are: What can be done to help Ukraine improve its reform performance? How much reform progress is enough to justify continued U.S. technical assistance? Would a reduction or refocusing of assistance result in more effective use of assistance resources or quicker achievement of U.S. objectives, or would it derail the very reform we are trying to help Ukraine achieve?

USAID/Kiev's position is that it is in our nation's interest to continue to work with Ukraine on its

transition to a market economy, and that our technical assistance is a critical element in achieving this objective: It promotes reform by imparting an understanding of why reform is needed and what reform can achieve, as well as improving capacity to undertake reform. Furthermore, it directly supports Ukraine's efforts to qualify for World Bank and IMF financing. Without our technical assistance in areas such as tax reform, banking, deregulation, and sectoral reforms in agriculture and energy, the GOU will be hard pressed to meet the conditions of these important loan programs. We believe that we should continue to support this process **as long as there is progress toward achievement of our objectives**. This judgment should be made through a process of closely monitoring program performance and Government actions and in consultation with USAID/W, State, the Coordinator's Office, and other USG organizations. Should we find that USAID assistance cannot make a significant difference, we are willing to make the tough calls and adjust the program as warranted. We are currently facing such a decision in terms of USAID's agriculture program (discussed in greater detail in SO 1.3). Given our commitment to manage for results, we will continue to make every effort to ensure that USAID resources are directed to the highest priority activities where we can achieve our objectives.

USAID/Kiev's proposed program through FY 2000 remains squarely focused on promoting broad-based economic and democratic development, and in particular, enabling the private sector to develop and thrive. Specifically, USAID activities will help empower people, eliminate unnecessary government involvement, and create transparent systems and an institutional framework to promote and sustain the private sector -- business development, deregulation, fiscal, financial and legal reform, agriculture, municipal and community development, social sector restructuring, and civil society.

CONCLUSION

This R4 amply demonstrates that USAID/Kiev's program of technical assistance in Ukraine is producing results in a number of key areas. Although there are larger structural issues that must be resolved, USAID's program is in fact significantly contributing to Ukraine's capacity to undertake these complex reforms. Given the continued uncertainty in Ukraine's economic and political situation and in the level of USAID resources, as well as a lack of consensus as to how the U.S. should focus its technical assistance, it is understandably difficult to propose a program for the future at this point. However, USAID/Kiev's program request for FY 1999 and FY 2000 is based on our careful analysis of program performance to date and our projections as to where USAID can have the greatest impact in the near future.

PART II: PROGRESS TOWARD OBJECTIVES

Strategic Objective 1.1: Increased transfer of state-owned assets to the private sector

Objective Name	Rating	Evaluation Findings
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SO 1.1: Increased transfer of state-owned assets to the private sector	Met	N/A
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In 1997, USAID-supported elements of the GOU's privatization program met, on balance, their targets. Successes were achieved in small-scale privatization, housing and land privatization, primarily as a result of close coordination between SO team members, GOU counterparts and fellow donor organizations. After overcoming difficulties encountered during 1997 the GOU, through political and legislative initiatives, has paved the way for its successful conclusion of the mass privatization program. The GOU had also devised a set of regulations which stress transparency and competition that should allow for the successful sale of strategic enterprises.

By the summer of 1998, after four years of consistent USAID support for the mass privatization program, in which donor pressure was often applied to maintain momentum, the vast majority of state-owned enterprises will be privatized. In addition, by that time, the tender program for strategic enterprises will have been successfully launched on the basis of new regulations and procedures stressing openness and competition. Thus, USAID's assistance to privatization will end on a successful note in the summer of 1998.

1. Performance Analysis

SO 1.1: Increased transfer of state-owned assets to the private sector

OBJECTIVE: SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.1: Increased transfer of State-Owned assets to the private sector			
INDICATOR: Percentage of GDP generated by the private sector.			
UNIT OF MEASURE: percentage SOURCE: World Bank INDICATOR DESCRIPTION: private sector component of GDP COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1995(B)	--	-40.0-
	1997	65	63.3
	1998	70	

The indicator used to track progress of the Strategic Objective is Percentage of GDP generated by the private sector. In 1997 the private sector accounted for 63% of GDP compared to a target of 65%. Overall, the privatization effort was moderately successful. Towards the end of the year the GOU de-emphasized the mass privatization program while attempting to launch a cash

privatization program. Consequently, the pace of privatization slowed considerably and threatened the fulfillment of key World Bank and IMF loan conditionalities. At the same time, the newly-emphasized cash privatization program encountered difficulties stemming from poorly prepared regulations for the sale of strategic enterprises through international tenders. Recently, however, with USAID assistance and World Bank pressure, the State Property Fund (SPF) has adopted a set of regulations that ensure a more transparent and competitive tender program for the sale of strategic enterprises.

In 1998, prospects for mass privatization also look better with new initiatives by the GOU. The SPF, assisted by USAID, drafted the 1998 plan which provided the best framework available in the last four years for sale of enterprises through the mass privatization program. The plan was adopted by the Parliament in February, four months earlier than last year. The 1998 plan provides for the distribution of privatization and compensation certificates through mid-year and their use in purchasing enterprises through the end of the year. Enterprises can now be sold at prices below nominal value. Consequently, many enterprises which have not been sold due to overvaluation can now pass to the private sector at market values.

IR 1.1.1: Large and medium state enterprises fully privatized

OBJECTIVE: SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.1.1: Large and medium state enterprises fully privatized			
INDICATOR: Number of companies at least 70% privatized			
UNIT OF MEASURE: cumulative over baseline SOURCE: State Property Fund INDICATOR DESCRIPTION: 70% private ownership of company COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	8000	7012
	1998	10,000	

The indicator is **Number of companies at least 70% privatized** and the 1997 target was 8,000. There were 7,012 companies privatized as of December 1997. Considerable donor community pressure and USAID assistance was needed to reach this number. As noted above, the passage of the 1998 privatization plan will definitely contribute to SPF's ability to meet the targets for 1998. The level of participation by the population exceeded expectations in that the number of privatization certificates picked up or accounts opened represented nearly 88 percent of the population (3 percentage points over target). Of those certificates picked up, 80 percent were invested as opposed to a very ambitious target of 100 percent. Work on policies, laws and

regulations has been successful, especially the passage of the 1998 program which supports both certificate and cash privatization. USAID has been effective in readying companies for privatization. There is an Enterprise Preparation Task Force and auction network operating in each of the 27 oblasts¹.

IR 1.1.2: Small scale objects (enterprises, premises, unfinished construction sites) are sold

OBJECTIVE: SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.1.2: Small-scale enterprises are sold			
INDICATOR: Small businesses privatized in Ukraine			
UNIT OF MEASURE: number SOURCE: IFC INDICATOR DESCRIPTION: businesses valued under \$175,000 COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-21,000-
	1997	39,000	45,561
	1998	50,000	

The indicator is **Number of small-scale objects privatized in Ukraine**. Due to revisions in legislation, the range of small-scale privatization has expanded since 1996 from small business to include buildings, premises and unfinished construction sites. The initial target for 1997 was 39,000, based on the estimates for small businesses only. With the expanded universe we were able to significantly exceed the initial target of 39,000 (reaching 45,561). USAID has been a catalyst in the GOU program. USAID-funded programs accounted for over one-third of all the small businesses privatized and helped develop policy improvements that facilitated all types of small-scale privatizations. A new focus of this program has been the privatization of unfinished construction sites. USAID has funded 9 regional privatization teams that are operating in 22 out of 24 Ukrainian oblasts and the Crimea. Those teams cover 22 cities and 50 small towns.

¹ There are 24 oblasts, two city administration districts (Kyiv and Sevastopol), and the Autonomous Republic of Crimea.

IR 1.1.3: Residential buildings are privately owned

OBJECTIVE: SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.1.3: Residential buildings are privately owned			
INDICATOR: Condominiums are registered with local government			
UNIT OF MEASURE: number SOURCE: State Committee for Housing & Municipal Economy <hr/> INDICATOR DESCRIPTION: registered associations COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-7-
	1997	200	633
	1998	300	

The indicator is the **number of condominiums registered with local government.**

Condominium registration is an important indicator because registration is the culmination of a considerably involved process. As part of this process, local governments are trained to support and register condominiums and residents are trained and helped through the procedures of initiating a condominium, drawing up by-laws, electing a board, and establishing themselves as an entity.

The target for 1997 was 200 registered private condominium associations and the actual count was 633 by September 30, 1997. Those 633 registered condominiums are spread over more than 100 localities, which means a broad-based mechanism is in place and capable of registering an unlimited number of condominiums. In addition to USAID's promotional and technical assistance activities, there appear to be two other major factors contributing to success beyond expectations: (1) local governments want to divest housing maintenance programs and create the foundation for a local tax base; (2) people living in multi-unit housing see condominium associations as a mechanism for improved maintenance services.

USAID has decided to stop providing direct technical assistance in this area. For the past three years, USAID had successfully supported the development of condominiums by working with both local governments and residents through seminars, workshops, a series of step-by-step guidebooks for residents on how to register a condominium, a housing sector reform newsletter, press kits, and in-country and out-of-country study tours. The program achieved sufficient geographical coverage by introducing housing reform concepts in more than 200 localities throughout Ukraine. Half have already registered their first condominiums, and others are continuing to work on implementation. In addition, the Ukrainian staff of the American contractor, PADCO, achieved sufficient knowledge and expertise to carry out the program on their own. Therefore, starting October 1, 1997, the housing program has been converted from an

American contractor-led effort to a program carried out by an entirely Ukrainian NGO called the Housing and Municipal Reform Support Center.

IR 1.1.4: Land is privatized (urban, rural and agricultural)

OBJECTIVE: SO 1.1 Increased Transfer of State-Owned Assets to the Private Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.1.4: Land is privatized (urban, rural & agricultural)			
INDICATOR: amount of privately owned agricultural land used by collective farms			
UNIT OF MEASURE: millions of hectares SOURCE: State Committee on Land Resources INDICATOR DESCRIPTION: land transferred into ownership of collective farm members by issuing land certificates COMMENTS: 98 target revised upward (was 12.0)	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0.0-
	1997	8.0	29.0
	1998	29.0	
INDICATOR: amount of urban land privately used			
UNIT OF MEASURE: number of land parcels SOURCE: State Com. on Urban Development and Architecture INDICATOR DESCRIPTION: urban land parcels transferred competitively by local governments to private enterprises COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-40-
	1997	190	N/A
	1998	300	
INDICATOR: Surplus land sold or leased by SOE s to private companies			
UNIT OF MEASURE: number of land parcels SOURCE: Committee on Urban Development and Architecture INDICATOR DESCRIPTION: land parcels sold/leased to private companies COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	10	N/A
	1998	60	

There are three indicators for this Intermediate Result, one for agricultural land, one for urban land and one for surplus land of state owned enterprises (SOE). For agriculture, **the amount of privately-owned agricultural land used by collective farms** had a target of 8 million hectares. Land share certificates for nearly all available agriculture land, 29.0 million hectares, were passed to private farmers or their representatives in 1997. The certificates represent land rights and the potential to receive title to specific plots. Certificates, therefore, are an intermediate step to the full legal control over discrete plots of land that titles represent.

The amount of urban land privately used had a target of 190 parcels and the actual result is unknown. Likewise **the amount of surplus land sold or leased by SOEs to private companies** was expected to be 10 parcels. This program has only just started.

The agricultural land certificate program is popular among the general population. Public opinion polls show a majority favor privatizing land. Now that certificates have been fully distributed, the next step is actual land titling. USAID is already working with the State Committee on Land Resources to develop simplified procedures for issuing individual land titles. USAID actively supported the GOU with planning and policy issues prior to distribution and with direct distribution in 70 collective agricultural enterprises (CAEs) in seven oblasts. Current activities focus on assisting the Ministry of Justice with drafting several laws (e.g., On Real Estate Titling and Registration , On Land Lease) and helping the State Committee on Land Resources working group draft new legislation on land assessment procedures.

It should be noted, however, that within the Rada, there is significant entrenched opposition to land privatization, particularly agricultural land. Therefore, considerable work will be required to bring about privatization of agricultural land and the surplus land surrounding privatized enterprises.

2. Expected Progress through FY 2000 and Management Actions

USAID will actively support the GOU to achieve its agreed-upon target of 9,500 medium and large enterprises privatized to the 70% level by the summer of 1998. At that point nearly all enterprises scheduled for mass privatization will have met this standard. USAID support, consequently, will no longer be needed and will end. The GOU will continue privatization for several more years, primarily selling blocks of about 100 strategic enterprises through competitive tender processes along with residual blocks of state-owned shares in other enterprises in cash auctions through the Ukrainian securities market. USAID has traditionally not assisted in the case-by-case privatization. In this instance, as mentioned earlier, USAID assistance was limited to the development of transparent and competitive regulations and procedures for the tender program. The Mission will continue to work on some elements of privatization that will impact business development and enterprise restructuring. The purpose of this activity is to help Ukraine turn unproductive assets into productive ones. The activity will be targeted at unfinished construction sites (UCS), commercial premises, social assets, small business, the universe of which amounts to tens of thousands of units. This will be a new activity under **SO 4.1, Special**

Initiatives.

The Mission has determined that the Ukrainian NGO Housing and Municipal Reform Support Center should receive ongoing, though diminishing, USAID support through FY 99. As in FY97, USAID support will be provided by a grant through The Eurasia Foundation. The Center will be responsible for raising increasing portions of its operating expenses through a combination of grants from donors and contracts to provide technical assistance and training services to other public and private organizations. It is anticipated that the Center will diversify its donor and client base to pay for 30 percent of its operating budget by 1999. In addition, USAID foresees using the Center on a contractual basis in housing-related projects such as enterprise housing divestiture and water metering in condominiums. This activity will be transferred to **SO 1.3b, Enterprise Restructuring.**

For agricultural land, we anticipate a rapid increase in the number of individual titles given and will ramp up the current farm restructuring program to achieve that under SO 1.3a. We will continue to help open up local titling and registration offices, while laying the ground work for a National Real Estate Title Registration System. With Parliamentary approval of agricultural sale legislation, we expect the privatization of land to exceed expectations in 1999. Work has begun this year to privatize land occupied by private enterprises. This activity will be transferred to **SO 1.3b, Enterprise Restructuring.**

Strategic Objective 1.2:

Increased soundness of fiscal policies and fiscal management practices

Objective Name	Rating	Evaluation findings
SO 1.2 Increased soundness of fiscal policies and fiscal management practices	Met	N/A

Despite a difficult environment and conflicts over the economic reform package proposed by the GOU with assistance from USAID advisors in late 1996, there was significant progress on SO 1.2 in 1997. Highlights included the enactment and implementation of new tax reform laws, the adoption of improved procedures for 1998 budget preparation, and the inauguration of closer USAID cooperation with the Parliament (Verkhovna Rada, or Rada) on fiscal legislation. Less positive were GOU failures to come to terms with the International Monetary Fund (IMF) on a three-year, \$3 billion extended financing facility (EFF) planned for 1997 and to meet the IMF's 1997 budget deficit target. Moreover, the potential for further progress was blunted by mounting pressures stemming from the parliamentary elections scheduled for late March 1998 and the government shake-up expected to follow these elections.

On the tax side, two major reform laws that constituted part of the economic reform package were passed in mid-1997: the value-added tax (VAT) and enterprise profits tax (EPT). This was a significant breakthrough in modernizing the tax system. The VAT law conforms far more closely to European Community standards, and the EPT law contains a business-oriented definition of taxable income. USAID advisors working with counterparts in the State Tax Administration (STA) were instrumental in ensuring implementation of these laws within a very tight timeframe. This task was complicated by the passage of substantial amendments in early fall. Some of which clarified the new laws, but others weakened them, in part by creating major exemptions for energy--although many of the latter amendments expire at the end of 1998. Hopes for passage of one other law in the latter part of the year, the personal income tax (PIT), were not realized. Advanced drafts were prepared on the other two elements of the planned tax code, excise taxes and administrative provisions, and these await further consideration by the new Parliament. Meanwhile, the start of operations at the long-awaited National Tax Training Center, a joint project of USAID and the U.S. Treasury in cooperation with the STA, bodes well for the advancement of new tax concepts and methods in Ukraine.

The 1997 budget was passed very late (in July) and implementation was complicated by many problems, including the encroachment of the Asian financial crisis on Ukraine's deficit financing capability. Experience with the 1998 budget presents a somewhat more positive picture. The joint USAID-U.S. Treasury team achieved far closer cooperation with the Ministry of Finance (MOF) Budget Department than before. The MOF adopted a new budget classification, long-advocated by the IMF, and new budget instructions that called for more detailed information and set expenditure ceilings by ministry. Computerization of the budget preparation process aided

significantly in meeting the schedule for budget presentation and adoption. A comprehensive budget system law has been drafted in cooperation with IMF advisors and MOF and Parliament representatives, but hopes for passage of the law in late 1997 were not realized.

A significant advance came in the establishment of closer working relationships with the Parliament. USAID has set up a Fiscal Analysis Unit (FAU), headed by a Ukrainian advisor, to respond to needs of the budget and tax committees. The staff of this unit, which includes expatriate advisors and local economists, has been particularly active in providing analytic support for deliberations on the personal income tax and on intergovernmental finance. A source of significant fiscal strain, the latter is an area of great concern to the GOU and local governments, and to the IMF as well. Thus it is appropriate that the FAU is also working in partnership with the Perchersk Raion, the local council for the area of Kiev in which the Rada is located, which provides office space in exchange for regular reports and analysis of raion finance issues. In addition, the Center for Economic Reform, a Ukrainian research organization established through USAID funding, does effective liaison work between Western advisors and the Rada as well as the GOU. This includes the inception of a Joint Economic Committee aimed at facilitating direct communication between GOU officials and Rada members on overall macro-economic issues. Thus progress with the Rada has begun, but further progress is contingent on the results of the March elections and the consequent organization of the Parliamentary committees, which will probably not be completed before May 1998.

In 1997, USAID stepped up its collaboration with other international donors organizations, especially the World Bank and IMF, on fiscal reform programs. USAID now gears much of its technical assistance in tax and budget system reform to the fulfillment of IMF and World Bank conditionality, with particular emphasis on the World Bank's Public Administration Reform and Public Resources Management structural adjustment loans and its Treasury Systems Project loan. These efforts are coordinated with other donors, including EU-TACIS and Canadian Technical Assistance, as appropriate. In addition, support provided to the Secretariat established by the Deputy Prime Minister for Economic Reform and to an affiliated local policy NGO, the International Center for Policy Studies, is helping to advance the objectives under SO 1.2..

1. Performance Analysis

SO 1.2: Increased soundness of fiscal policies and fiscal management practices

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.2: Increased Soundness of Fiscal Policies and Fiscal Practices Management			
INDICATOR: GOU meets IMF deficit target			
UNIT OF MEASURE: Yes/No SOURCE: Ministry of Finance, IMF <hr/> INDICATOR DESCRIPTION: budget deficit as percentage of GDP does not exceed limit in IMF program COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	Yes	No
	1998	Yes	
	1999	Yes	
	2000	Yes	

The indicator is **GOU meets IMF deficit target**, and the 1997 target of 4.7 percent of GDP was not met, with the deficit ending up at 5.7 percent of GDP. Although the IMF accepted this as sufficient for the release of the stand-by loan tranche, it was not a favorable development. Although the rate of accumulation of wage and other arrears in the budget sector has abated, little progress has been made on paying down past arrears, despite continuing pledges from the GOU and substantial political pressures arising from the upcoming elections.

In mid-1997, the IMF suspended negotiations on the proposed three-year, \$3 billion extended financing facility (EFF) and provided instead a one-year stand-by loan of about \$600 million, to be disbursed in monthly tranches pursuant to agreed-upon conditions. Negotiations on an EFF have now been resumed, with a view to concluding by late summer or early fall 1998. Conditionality is expected to be strict, and it remains to be seen whether Ukraine can meet the conditions, although clearly the IMF would like to move ahead on the EFF. Further progress on fiscal reform is likely to be an important element of the conditionality for the EFF, making technical assistance in this area critical.

IR1.2.1: MOF budgeting and financial management practices are reformed

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.1: Ministry of Finance budgeting and financial management practices are reformed.			
INDICATOR: Fewer budget revisions required due to inaccurate forecasts.			
UNIT OF MEASURE: number of revisions SOURCE: Ministry of Finance <hr/> INDICATOR DESCRIPTION: more than one revision is an indication of significant forecasting errors COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-3-
	1997	1	3
	1998	1	
	1999	1	
	2000	1	

The indicator is **Fewer budget revisions required due to inaccurate budget forecasts**. The target was one revision, but in fact there were three, despite the lateness of the budget adoption. This was due to increasing pressures on the budget, both internal and external. GDP and revenues fell below expectations, and deficit financing through sales of government securities was heavily influenced by swings in the international markets (see below).

IR1.2.1.1: Budget preparation process is strengthened

USAID and U.S. Treasury advisors worked closely with the Budget Department of the MOF to institute long-sought reforms in time for the 1998 budget process. These included adoption of a budget classification system meeting international standards (and forming the basis for the treasury chart of accounts), detailed instructions for Ministries to follow in preparing their budget requests, and spending ceilings issued to Ministries at the beginning of the process to encourage them to present more realistic budget requests. Computerization of the budget process made it possible to present a budget to the Rada that contained far more information than in previous budgets and also enabled rapid response to budget revisions. Delays in approving these reforms made the initial process less than ideal, but further improvements are expected in the coming year, given a far earlier start in the process.

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.1.1: Budget preparation process is strengthened.			
INDICATOR: Revenues equal or exceed forecast.			
UNIT OF MEASURE: Yes/No SOURCE: Ministry of Finance <hr/> INDICATOR DESCRIPTION: as per adopted budget COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	No	No
	1998	Yes	
	1999	Yes	
	2000	Yes	
INDICATOR: Expenditures at or below planned levels.			
UNIT OF MEASURE: Yes/No SOURCE: Ministry of Finance INDICATOR DESCRIPTION: as per adopted budget COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	Yes
	1997	Yes	Yes
	1998	Yes	
	1999	Yes	
	2000	Yes	

More work will be required to produce realistic budgets that can be implemented as adopted. The major weakness in the budget preparation process lies on the revenue side, with revenues consistently falling far short of budget estimates and requiring consequent changes on the expenditure side. Thus the target **revenues equal or exceed forecast** was not expected to be met in 1997, as indeed proved to be the case. Revenues once again came in significantly lower than estimated, about 80 percent of the amount in the adopted 1997 budget. This led to substantial spending cutbacks, so the target of **expenditures at or below planned levels** was achieved, as expected, but in part through further accumulation of arrears.

The Revenues section of the MOF Budget Department continues to be resistant to technical assistance from USAID and from other providers, notably the IMF. USAID is expanding its work with the STA on tax modelling and forecasting, and it is hoped that this work will have an impact on the MOF's revenue forecasting.

IR1.2.1.1.1: Macroeconomic forecasting capability is improved

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.1.1.1: Macroeconomic forecasting capability is improved.			
INDICATOR: Accuracy of GDP forecasts improves.			
UNIT OF MEASURE: percent SOURCE: Ministry of Finance <hr/> INDICATOR DESCRIPTION: percent difference between forecast and actual GDP COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-16-
	1997	12	8
	1998	10	
	1999	8	
	2000	6	

The key indicator is **Accuracy of GDP forecasts improves**, and the target was a 12% discrepancy between projected and actual GDP. The discrepancy between the GDP forecast underlying the 1997 budget as originally proposed and actual 1997 GDP (as presently calculated) was about 8%, with GDP coming in lower than forecast but within the range of accuracy required to meet the target. However, intervening forecasts for the 1997 budget ranged from one that even the Parliament judged overly optimistic to the one underlying the adopted budget, which turned out to be slightly below the actual outcome. This points to the need for further improvement in macroeconomic forecasting capability.

In this context, it should be noted once again that the accuracy of forecasting models will remain limited unless they can be based on data which are complete, readily available, and of good quality. This continues to be a major problem in Ukraine. USAID and other donor organizations have presented recommendations for developing and maintaining a common database for the economic policy units of the GOU: the MOF, State Tax Administration, Ministry of Economy, Ministry of Statistics and National Bank. This would provide access to data readily available in other countries--such as money supply, GDP, budget execution--and could greatly improve macroeconomic forecasting in Ukraine, especially if combined with efforts to improve data quality. This issue has become more pressing as GOU officials pursue, with USAID assistance, the initiative arising from the October 1997 Gore-Kuchma meetings to develop reliable macroeconomic indicators on which to base policy decisions. The continuing resistance to sharing of data among ministries frustrates these vital efforts and is counterproductive to the

adoption of sound macroeconomic policy.

IR 1.2.1.2.1: Government debt management system is established

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.1.2.1: Government debt management system is established.			
INDICATOR: A greater share of the budget deficit is financed by government securities			
UNIT OF MEASURE: Percent SOURCE: National Bank of Ukraine INDICATOR DESCRIPTION: proportion financed by government securities increases COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	6.50
	1997	50	71
	1998	75	
	1999	95	
	2000	100	

Ukraine financed **a greater share of the budget deficit with government securities** in 1997, about 71 percent, well in excess of the target of 50 percent. Including substantial purchases from external sources, it also experienced firsthand the volatility of the international markets for short-term instruments. In mid-year, purchases of Treasury bills from external sources mounted as foreign investors sought higher yields than those available in more developed markets, leading some officials to question whether Ukraine even needed the IMF and World Bank financing. Later in the year, the Asian crisis hit and the spillover to emerging markets dried up Ukraine's external financing sources and constrained internal T-bill demand as well, leading to soaring interest rates and shortened maturities. Add to this the failure to secure anticipated amounts of IMF and World Bank loans, and Ukraine is now saddled with a more costly debt burden than expected -- with consequent strains on its fiscal situation.

IR 1.2.2: A market-oriented tax system that encourages compliance is created

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.2: A market-oriented tax system that encourages compliance is created.			
INDICATOR: Number of taxpayers in the Tax Identification Number (TIN) system increases			
UNIT OF MEASURE: cumulative total (in millions) SOURCE: STI INDICATOR DESCRIPTION: Total number of TIN's issued to individuals/enterprises over prior year	YEAR	PLANNED	ACTUAL

COMMENTS:			
	1995(B)	--	N/A
	1997	26	21
	1998	27	
	1999	30	
	2000	32	

The indicator is **Taxpayer Identification Numbers (TIN) system is established and the number of taxpayers included in the system increases**. In a market economy, the number of potential taxpayers increases rapidly, especially outside of the government sector, and the controls on revenue collection exerted by the central planning system are lost. A vital first step is to identify taxpayers to track whether they are complying with their tax obligations, and issuance of TINs (or their equivalent, such as Social Security numbers) is the usual means of doing this. The target for 1997 was 26 million TINs issued, while the actual result was 21 million. This fell short of the mark but was still a significant increase over the 1996 total of 15.6 million.

Under the new VAT law, enterprises subject to VAT are required to register, and requirements for individual filings for the PIT are also being instituted. This should lead to a rise in issuance of TINs in 1998, as a necessary step in administering these taxes.

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.2.1: Tax system supports economic growth.			
INDICATOR: Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, and submitted to Parliament			
UNIT OF MEASURE: number submitted to Parliament SOURCE: STI, Rada INDICATOR DESCRIPTION: VAT, administrative provisions, corporate income, personal income, excise taxes COMMENTS: *Of the 4 submitted to Rada, 2 have been approved. USAID's target for 1998 is the approval of the other two submissions.	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	3	4*
	1998	*	
	1999	N/ A	
	2000	N/ A	

Of the contributing IRs, **Major tax laws are revised using international standards, harmonized for incorporation into a single tax code, and submitted to Parliament** is the indicator for **IR 1.2.2.1: Tax system supports economic growth**. Four tax reform laws were submitted to Parliament in late 1996, and two were passed in 1997, the value-added tax and the enterprise profits tax. While subsequent amendments have diluted the impact of these laws, most of the amendments are currently due to expire at the end of 1998. The potential for renewed progress on a single tax code, combined with further taxpayer education and promotion of international accounting standards, could help to restore the original intent of these laws. Once the new Parliament is organized, further efforts will be made to pass the pending personal income tax and excise tax laws.

IR 1.2.2.2: Tax laws are fairly and efficiently administered.

Major efforts were made in 1997 to achieve clear and timely implementation of the new VAT and EPT laws, efforts that were hampered by subsequent amendments to the laws that required forms and instructions to be redone. The amendments also created inconsistencies between the two laws, e.g., by putting the VAT on a cash basis and leaving the EPT on an accrual basis. As indicated above, many of these amendments are due to lapse at the end of 1998, and other inconsistencies may be resolved, perhaps in the context of producing a single tax code.

Implementation of the decision to make personal income tax filing the responsibility of the individual rather than the enterprise will also require substantial effort, whether or not the pending new PIT law passes, but it should result in fairer application of the law. Another key item to be presented to the new Parliament is likely to be a draft law with provisions for improving tax administrative procedures, including indirect methods for income determination. Proposals are also being made to improve the appeals process, by providing remedies through the courts not just an internal adjudication procedure. However, the concept of taxpayers rights is not yet well developed in Ukraine.

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.2.2: Tax laws are fairly administered.			
INDICATOR: Ratio of cost of tax administration to tax collection decreases			
UNIT OF MEASURE: Yes/No SOURCE: STI INDICATOR DESCRIPTION: Budget of tax administration unit as proportion of total taxes collected decreases COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	No	No
	1998	Yes	
	1999	Yes	
	2000	Yes	

The Tax Training Center is now in operation and should eventually have a substantial impact on the efficiency of tax administration, especially once all the new laws are adopted. In the longer-term, the measure for this IR is a **reduction in the cost of tax administration relative to the total amount of taxes collected**. However, it was expected that it would take some time before this positive impact was achieved.

IR1.2.3: Parliament acts affirmatively on fiscal reform legislation

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.3: Parliament acts affirmatively on fiscal reform legislation.			
INDICATOR: Law to establish Audit Control Chamber is passed			
UNIT OF MEASURE: Drafted/Submitted/Passed/Implemented SOURCE: Rada Gazette INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	Drafted
	1997	Implemented	Implemented
	1998	N/A	
	1999	N/A	
	2000	N/A	

This indicator focuses on a **Law to Establish an Audit Control Chamber** (now known as the Accounting Chamber), which was passed in 1997 and has been implemented. With respect to the contributing IRs dealing with the work of the Budget Committee, the target for the **budget document provided to the Parliament to include detailed budget justifications by ministry and major program** was met, while the transparency target **number of committee sessions open to other government officials** was far exceeded, coming in at 100 percent vs. a modest target of 10 percent.

OBJECTIVE: SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Practices Management APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.3.3: Banking and Finance Committee's deliberation on tax legislation is strengthened.			
INDICATOR: Committee completes action on draft tax law revisions and transmits them to Rada for passage			
UNIT OF MEASURE: Number of revised tax laws transmitted SOURCE: Rada/STI INDICATOR DESCRIPTION: Committee reviews legal provisions in deciding on elements of the single tax code	YEAR	PLANNED	ACTUAL

COMMENTS:			
	1995(B)	--	-0-
	1997	3	2
	1998	4	
	1999	N/ A	
	2000	N/ A	

With respect to **IR 1.2.3.3, Banking and Finance Committee's deliberation on tax legislation is strengthened**, as indicated above, two of the four major pieces of tax reform legislation submitted in November 1996 were passed in 1997 and there are hopes for passage of the others in 1998. USAID's successful effort in 1997 to support the Rada with various types of technical assistance, including establishment and staffing of a Fiscal Analysis Unit for the Rada and providing advisors in tax and budget analysis and intergovernmental finance, should provide a strong base for further progress with the new Parliament.

2. Expected Progress through FY 2000 and Management Actions

In 1998, there will be a major push by the GOU to meet the IMF conditions for the long-pending three-year \$3 billion EFF, which will require further progress on a number of fiscal reform measures. This is a critical period for Ukraine. IMF concerns about GOU failure to fulfill major conditionality, combined with the continued deterioration in Ukraine's financial condition, suggest that it is now or never. If the EFF is not concluded within the next six months, it may be dropped entirely. Given the run-up of external debt and debt service costs that Ukraine is experiencing, access to lower cost IMF and World Bank loans -- and the implicit endorsement of macroeconomic stabilization that they represent -- is critical.

Thus the activities of the fiscal reform program will be concentrated to a very large degree on fulfillment of the EFF conditions and related conditions under the pending World Bank Public Resource Management and Public Administration Reform structural adjustment loans. The latter have conditions that must be fulfilled prior to appraisal and Board consideration of the loans, as well as additional conditionality attached to release of loan tranches. USAID is assisting with fulfillment of some of the prior conditions for the Bank loans as well as working with the World Bank, the IMF and other donors to coordinate technical assistance plans related to further conditionality.

Expected progress in these areas through FY 2000 includes the following:

Tax administration (STA):

- Components of the pending Tax Code are implemented as enacted or amended, including value-added tax, enterprise profits tax, personal income tax, excise taxes and provisions to strengthen tax administration.
- STA gains basic competency in implementing and administering new tax laws, including registering and tracking taxpayers, designing and producing the necessary tax forms and instructions, providing public education and taxpayer services, collecting statistics of income and forecasting revenues, and enforcing tax law compliance.
- Revenues to the government increase due to improvements in tax collection and enforcement techniques that broaden the tax base and shrink the shadow economy, but do not increase the burden on individual taxpayers.
- Voluntary compliance with tax laws improves as taxpayers are given clear and comprehensible forms and informational materials; simplified forms and instructions are developed for small businesses and lower-income individuals; and improved STA enforcement discourages tax evasion.

Budget Process (MOF):

- Realistic, transparent budgets are produced in accordance with international standards, "best practice", and IMF lending criteria, pursuant to a comprehensive budget system law covering budget preparation, adoption and execution.
- MOF Treasury is provided with a training needs assessment and other assistance as requested to support the World Bank/IMF project to develop computerized systems, and to execute all GOU payments and account for expenditures and revenues within the adopted budget.
- MOF is provided with training, forecasting tools and analytic techniques to aid in producing realistic revenue estimates and revising those estimates periodically in line with developments in the economy.

Fiscal Legislation and Analysis (Verkhovna Rada):

- The Rada Fiscal Analysis Unit develops the capacity to provide analyses of all major tax and expenditure legislation.
- Intergovernmental finance legislation is enacted that allocates resources and responsibilities between the central government and local governments in a fair and equitable way.
- Financial position of local governments is improved through legislation designed to strengthen their revenue base, mainly real estate tax.

Public Administration Reform

- The functions of the Ministry of Finance, Ministry of Economy and State Tax Administration are organized and modernized to produce clearer and more efficient lines of authority and implementation of policy decisions.

Success in all of these areas will be very much dependent on the commitment of the GOU to

remedy past delays in reform and fulfill conditions for IMF and World Bank loans. The prospects for positive results are tempered by concerns over the parliamentary elections taking place in March 1998. The elections may be followed by substantial changes in the Rada and the GOU which could hinder reform effects. Moreover, progress on fiscal reform is likely to soon be affected by pressures surrounding the Presidential election in 1999.

Strategic Objective 1.3: Accelerated development and growth of private enterprises

The broad range of activities undertaken in support of this strategic objective required the Mission to revise the structure of SO 1.3. In so doing, we decided that the best way to go about this was to break it down into three separate sub-objectives that represent the three principal areas of focus geared to accelerating private enterprise growth and development. These three areas are: fostering a more market responsive agricultural sector (SO 1.3a); support to make privatized enterprises more competitive and efficient (SO 1.3b); and expanding the role of small and medium enterprises (SMEs) in the national economy (SO 1.3c).

All three of these areas contribute directly to the achievement of the strategic objective and are discussed in separate sections below. The primary indicator for this Strategic Objective also remains valid:

Private enterprise contribution to GDP

OBJECTIVE: SO 1.3 Accelerated development and growth of private enterprise			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.3: Accelerated development and growth of private enterprise			
INDICATOR: Percentage of GDP generated by the private sector.			
UNIT OF MEASURE: percentage SOURCE: World Bank INDICATOR DESCRIPTION: private sector component of GDP COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-40.0-
	1997	65	63.3
	1998	70	

The private enterprise contribution to GDP for 1997 was reported as 63.3%. It is important to note that this figure includes an estimation of the contribution of the informal or shadow economy. The increase of 8.5 percentage points over last year's figure of 55% is an indication that both the formal and informal private sector continue to grow, even though the overall GDP fell (3.2%) because of the reduced public sector contribution.

Strategic Objective 1.3a: A More Market Responsive Agricultural Sector

Note: since Market Responsive Agriculture is a new sub-SO, no summary performance rating will be provided this year.

USAID/Kyiv has been working in the agriculture sector since 1992. Emphasis on agriculture in the Mission's overall strategy and programming has evolved during that time from being included as one activity among several in the Development of Enterprise SO to a separate component (sub-SO), Market Responsive Agriculture in Ukraine. Currently, the Mission has eight foci in the sector: (1) joint venture partnerships in agriculture input supply and processing; (2) commodity exchanges; (3) farm restructuring and privatization; (4) policy analysis and support; (5) small, private farmer development; (6) Western Ukraine regional development; (7) private farmer training; and (8) Farmer-to-Farmer volunteer programs. Through these programs, development has taken place in many areas including farm restructuring, private sector investment in agriculture through ag-partnerships and greater private sector participation in the distribution of agriculture inputs.

Though progress with the GOU's policy in agriculture has been made, the pace and direction of change, as well as the need for any change, is still the subject of great debate. Several of the Mission's programs are now pushing and testing the limits of tolerance/acceptance of reform in many areas. This is eliciting greater debate within the GOU and, at times, resistance in parts of it. A major function of USAID's programs is both to continue introducing new concepts and policies as well as pushing and expanding the acceptance of reform.

The rationale for establishing Market Responsive Agriculture in Ukraine as a sub-SO reflects the need to recognize the magnitude of the Mission's agriculture activities within the SO structure. It is also based on three strategic considerations. First, since the agricultural and agro-industrial sectors represent approximately 50 percent of the gross domestic product (GDP), there is consensus that a strong Ukrainian economy will depend in large part on a dynamic agricultural sector. Second, reflecting this importance, USAID has devoted considerable financial resources and technical assistance to agricultural development in Ukraine. Third, the slow progress that has been made in agricultural development in Ukraine over the past several years has resulted in the critical need to implement a more market-oriented reform agenda.

Largely as a result of the slow pace that has characterized implementation of the policy reform agenda, the agricultural sector has experienced a decline in production of approximately 50 percent since 1990. This has led to a drastic decline in agricultural employment and income. Recently, new agricultural reformers have been appointed to prominent positions, and a new reform agenda has been put into motion. The government has issued a series of declarations and pronouncements that seem to demonstrate a disposition to implement major policy changes in the commodity, input and credit markets. There also seems to be a growing interest in solving many of the critical problems associated with land ownership. The government has also established an

inter-ministerial commission to develop proposals for addressing these and other agricultural policy issues.

1. Performance Analysis

SO 1.3a: A more market responsive agricultural sector

OBJECTIVE: 1.3 Accelerated Development and Growth of Private Enterprises			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.3a: A more market responsive agricultural sector			
INDICATOR: private sector contribution to agricultural production			
UNIT OF MEASURE: percent SOURCE: State Statistics Committee INDICATOR DESCRIPTION: share of private sector (including farmers and leaseholders) in total agricultural production COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	55
	1998	60	
	1999	62	
	2000	65	

Achieving a more market responsive agricultural sector is the strategic objective of USAID's agricultural assistance program in Ukraine. This objective stems from our belief that a more prosperous, efficient agricultural sector requires a shift from a command economy to reliance on market forces and increased private sector participation. Progress in achieving this objective can be measured by increased private sector contribution to agricultural GDP. However, due to data availability, progress will be measured by increased private-sector contribution to agricultural production, a less comprehensive but more readily available indicator. It is expected that private-sector contribution to agricultural production will increase from 55 percent in 1997, our base year, to 60 percent in 1998.

IR 1.3a.1: Agricultural inputs increasingly available through the private sector

SUB-OBJECTIVE: 1.3a A More Market Responsive Agricultural Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3a.1: Agricultural inputs increasingly available through the private sector			
INDICATOR: Public sector agricultural input supply and production institutions are 70% privatized			
UNIT OF MEASURE: number SOURCE: State Property Fund INDICATOR DESCRIPTION: institutions include agrochem, agrotech, agrosupply and fertilizer production plants. 1343 total COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	627
	1998	987	
	1999	1343	
	2000	1343	
INDICATOR: Private joint venture partnerships establishing private farm-service centers, processing facilities and other agribusinesses in Ukraine			
UNIT OF MEASURE: number SOURCE: Agricultural Partnership Program INDICATOR DESCRIPTION: number created under USAID-supported Agricultural Partnership Program COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	20	11
	1998	26	
	1999	36	
	2000	TBD	

Our first intermediate result is an increase in private-sector input marketing. Although active in the distribution of chemicals, seeds and machinery, the private sector in Ukraine remains constrained by considerable government interference. Fertilizer production and distribution continue to be a public-sector industry. Reducing government control over the input distribution function is a priority area for USAID.

The most direct measure of progress for this IR is the yearly increase in the value of all agricultural inputs distributed through private sector channels. However, due to data limitations, we have selected two alternate indicators: (1) **public-sector agricultural input supply institutions 70 percent privatized**; and (2) **the number of private joint venture partnerships establishing private farm-service centers, processing facilities and other agribusiness**

enterprises in Ukraine. The 1998 target for the first indicator is 987 (up from 627 in 1997), or 73 percent of total public-sector agricultural input supply institutions privatized. The 1998 target for the number of private joint venture partnerships establishing private farm-service centers, processing facilities and other agribusiness enterprises in Ukraine is 26 (up from 11 in 1997).

IR 1.3a.2: Private agricultural credit increasingly available to borrowers

SUB-OBJECTIVE: 1.3a A More Market Responsive Agricultural Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3a.2: Private agricultural credit increasingly available to borrowers			
INDICATOR: Agricultural loans provided to private sector			
UNIT OF MEASURE: \$ (millions) SOURCE: USAID-EXIM Financing Facility Program INDICATOR DESCRIPTION: value of loans provided by the NBU to commercial banks through the EXIM program COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	25	
	1999	125	
	2000	425	

Although some constraints to a more efficient agricultural marketing system in Ukraine have been removed, much remains to be done. Particular efforts will be needed to improve the availability of credit. The **increase in private agricultural credit available to borrowers**, the second major component of our results framework, will be measured by the increase in the value of loans provided by the National Bank of Ukraine to commercial banks through the USAID-supported EXIM financing facility program. It is expected that the value of those loans will be \$25 million in 1998. Recognizing that the EXIM program represents only one source of agricultural credit available to borrowers, an effort will be made to collect data on the value of agricultural loans (both in cash and in kind) provided to the private sector from all sources -- including donors, joint ventures as well as local sources.

IR 1.3a.3: Increased private sector participation in agricultural commodity marketing

SUB-OBJECTIVE: 1.3a A More Market Responsive Agricultural Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3a.3: Increased marketing of agricultural commodities through private channels			
INDICATOR: Volume of key agricultural commodities traded through the commodity exchange			
UNIT OF MEASURE: metric tons (thousands) SOURCE: Commodity Exchange Project INDICATOR DESCRIPTION: wheat, barley, sunflower seeds, sugar, other COMMENTS:	YEAR	PLANNED	ACTUAL

	1997(B)	--	331.17
	1998	1,170	
	1999	2,870	
	2000	4,730	

INDICATOR: Value of key agricultural commodities traded through the commodity exchange			
UNIT OF MEASURE: US Dollars (in millions) SOURCE: Commodity Exchange Project INDICATOR DESCRIPTION: wheat, barley, sunflower seeds, sugar, other COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	58.52
	1998	181.35	
	1999	444.85	
	2000	733.15	
INDICATOR: State-owned elevators privatized			
UNIT OF MEASURE: number SOURCE: Commodity Exchange Project, Price Waterhouse INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	250	
	1999	420	
	2000	650	

The agricultural commodity marketing system in Ukraine has been dominated by the public sector, but significant reforms are being considered. Several policy actions are currently being prepared to enhance the role of the private sector. Increased private sector participation in agricultural commodity marketing, our third intermediate result, will be measured by the **volume and value of key agricultural commodities** (wheat, barley, sunflower seeds, and sugar) marketed through the commodity exchange system.

A second indicator tracking the **number of elevators privatized** will also be used. It is expected that the volume of key agricultural commodities marketed through the commodity exchange system will increase from 0.331 million mt in 1997 to 1.17 million mt in 1998, for a value of \$180 million. The 1998 target for the number of elevators privatized is 250.

In the absence of time-series data on more direct indicators, such as share of the private sector in agricultural commodity marketing, the two indicators will combine to shed light on the agricultural commodity marketing system in Ukraine.

IR 1.3a.4: Agricultural land is progressively privatized

SUB-OBJECTIVE: 1.3a A More Market Responsive Agricultural Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3a.4: Agricultural land progressively privatized			
INDICATOR: Government-issued land titles for CAE (Collective Agricultural Enterprise) land			
UNIT OF MEASURE: number (thousands) SOURCE: Land Resource Committee INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	25
	1998	125	
	1999	325	
	2000	625	
INDICATOR: Private farmers and land area under private farming			
UNIT OF MEASURE: number (thousands) Hectares (thousands) SOURCE: Land Resource Committee INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	36 908
	1998	38 963	
	1999	40 1013	
	2000	50 1064	
INDICATOR: Number and land area of household plots			
UNIT OF MEASURE: number (millions) Hectares (millions) SOURCE: Land Resource Committee INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	12.0 5.727
	1998	12.0 5.727	

	1999	12.5 5.956	
	2000	13.0 6.185	

Even though the land area under private farming has increased from about 40,000 hectares in 1991 to 908,000 in 1997, the process slowed dramatically after 1994 due primarily to the lack of agricultural support services and the absence of an effective land titling system. Additional efforts will therefore be needed to address this sensitive issue. Progress in agricultural land privatization, our fourth intermediate result, will be measured using three complementary indicators: (1) number of government-issued land titles; (2) number of private farms and land area under private farming; and (3) number and land area of household plots.

It is expected that the number of government-issued titles will increase from 25,000 in 1997 to 125,000 in 1998. In 1998, the number of private farms is estimated at 38,000, for a total land area under private farming of 963,000 hectares. It is expected that the number of household plots will remain unchanged at 12 million in 1998, covering an area of 5,727 million hectares.

2. Expected Progress Through FY 2000 and Management Actions

As previously noted, reform in the agriculture sector is the subject of great debate within the Government of Ukraine. Reformers have made progress on several fronts but it is still an uphill battle. The Mission intends to continue its projects and programs in the sector and to use them as levers to support the reformers in the Government and to push the limits of reform acceptance as far as possible. On its part, the GOU has recently established an interministerial committee to examine the most important agricultural development issues. USAID has presented to the GOU its view on the profound changes needed to build the foundation for a more successful agricultural development program in Ukraine, and a dialogue has begun with a number of leading policy makers. Assuming that no major setbacks or reversal of policy will occur, the prospects for achieving performance targets through FY 2000 appear promising.

Private sector contribution to agricultural production is expected to reach 65 percent. This result will be driven by increased availability of agricultural inputs through the private sector (I.R. 13a.1). It is anticipated that all public-sector input supply institutions will be privatized in 1999. The number of joint venture partnerships establishing private farm-service centers processing facilities and other agribusiness enterprises will increase during the same period.

Agricultural credit available to borrowers through the proposed EXIM facility that will channel loans to commercial banks will increase to \$425 million by the end of the century, reflecting increased availability of private agricultural credit to borrowers (I.R. 13a.2). Marketing of agricultural commodities through the private sector (IR 1.3a.3) also stands to gain from the planned reforms. Almost 5 million metric tons of wheat, barley, sunflower seeds, and sugar will be traded through the newly formed commodity exchange system, far more than the 330,000

metric tons traded in 1997. The number of privatized elevators is expected to reach 650 by the year 2000, an increase of 600 over 1997 levels. It is anticipated that this increase will provide an impetus for greater private-sector participation in the commodity market.

Although the results of the national government debate on land ownership have been mixed, at the local level the issuance of land certificates and land titles to individual members of former collective farms is establishing a grass-roots base of support for development of a land market and land leasing -- two major pillars of I.R. 1.3a.4. By the turn of the century, the number of government-issued individual land titles is expected to be 625,000. The number of private farmers and land area under private farming is also expected to increase significantly.

To achieve the results briefly outlined above, USAID/Kyiv has put in place a technical assistance package in the four areas targeted for intervention. Major actions in input marketing will include steps to privatize the fertilizer industry; complete privatization of government input supply institutions such as Ukragrokhim and Ukragrotekhservis; and make operational the new seasonal and medium-term credit programs for input purchases.

Greater private-sector participation in the commodity market will be achieved through a number of actions: eliminating restrictions on grain trade and treating government and private-sector entities equally; transacting all GOU grain purchases through open markets and the commodity exchange system; privatizing at least 80 percent of grain processing and storage facilities; privatizing and demonopolizing *Khleb Ukrainy*; and strengthening commodity exchange legislation.

USAID will also continue to support land privatization in Ukraine through expansion of the land titling program nationwide, facilitation of land leasing, and elimination of major regulatory and legal impediments to a well-functioning land market.

Strategic Objective 1.3b: Privatized enterprises are more competitive and efficient

Note: since Post-Privatization is a new sub-SO, no summary performance rating can be provided this year.

In revising the structure of SO1.3 for the period 1998-2000, the Mission determined that post-privatization development in Ukraine should be established as a separate sub-SO in addition to the agriculture and small/medium business development sub-SOs. This decision was based on the following rationale:

As USAID's direct contribution to the privatization process in Ukraine comes to an end in FY 1998 (see close-out of SO1.1), the Mission recognizes that the fate of privatized enterprises is key to the recovery and growth of Ukraine's economy. If privatized enterprises collapse faster than the absorption rate of the growing SME sector, further economic decline and social disruption will be unavoidable. In addition, many privatized enterprises can be viable, with effective operational or financial restructuring and in the context of a supportive policy, legal and regulatory environment.

Two significant elements of privatization in Ukraine which will make or break the success of many privatized enterprises remain to be addressed: urban/enterprise land privatization and divestiture of social assets. Enterprise land privatization has been included under **SO 1.3b** while divestiture of social assets, a broader approach including unfinished construction sites, has been moved to **SO 4.1**.

The needs of new (see **SO 1.3c**) and privatized enterprises, although similar in many ways, are sufficiently divergent to warrant separate treatment in the R4 context. Privatized enterprises have inherited inefficient and costly assets and face social issues such as excess employees and social asset divestiture. Training is a universal need among business managers in Ukraine, but privatized enterprises require training coupled with more comprehensive restructuring, either through consulting professionals or strategic investors.

1. Performance Analysis

SO 1.3b: Privatized enterprises are more competitive and efficient

OBJECTIVE: 1.3 Accelerated Development and Growth of Private Enterprises APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.3b: Privatized enterprises are more competitive and efficient			
INDICATOR: Industrial production			
UNIT OF MEASURE: percent change over prior year SOURCE: World Bank, Ukrainian Economic Trends INDICATOR DESCRIPTION: _____ COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	-4.5%
	1998	-1.0%	
	1999	+1.0%	
	2000	+4.0%	

Data on the performance of privatized enterprises in Ukraine is very unreliable. A punitive tax regime, cumbersome registration and licensing requirements, frequent government inspections, customs difficulties, still inadequate disclosure regulations, and widespread lack of internal managerial and financial accounting result in skewed or unavailable data. Recognizing that this may be the case for some time to come, the Mission has determined that the growth or decline of **industrial production** is the most readily available and reliable indicator of the competitiveness and efficiency of enterprises. The underlying assumption is that most privatized industries are in the industrial or production branches.

Although industrial production is impacted by many factors outside the control of enterprises, a recent Quarterly Rapid Enterprise Survey, conducted by the International Center for Policy Studies, Soros International Economic Advisor Group (SIEAG) in August 1997, revealed interesting trends in industrial production. Enterprise managers responded that changes in enterprise output (increase in production or introduction of new product lines) were due mostly to competition with domestic producers (50%) and requests of new customers (48%). Although not included as an indicator for this SO, the data show that Ukrainian enterprises are increasingly responsive to market forces - which should be reflected in industrial production figures. It is likely that the turnaround will be slow, however, as reflected in relatively modest targets for 1998-2000.

IR 1.3b.1: Increased access to market-driven business skills

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.1: Increased access to market-driven business skills			
INDICATOR: Increasing numbers of clients are served by business service centers			
UNIT OF MEASURE: number of clients, <i>year-to-year increase</i> SOURCE: IFC, NewBizNet INDICATOR DESCRIPTION: selected business centers COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	6500
	1998	10,000	
	1999	12,000	
	2000	12,000	

At the broadest level, the **number of clients served** by selected business service centers in Ukraine will indicate increased demand for business training and services. Although the USAID-funded business service centers tend to focus resources and outreach more on new, small, and medium scale businesses, a significant percentage of clients attending training courses come from privatized enterprises. This indicator should show an increase from 6,500 clients in 1997 (actual) to 12,000 in 2000.

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.1: Increased access to market-driven business skills			
INDICATOR: Businesses have access to business toolkits			
UNIT OF MEASURE: number of units SOURCE: IFC, NewBizNet INDICATOR DESCRIPTION: business toolkits distributed COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	500	
	1999	1000	
	2000	1500	

Another indicator of the demand for business skills will be the distribution of a Ukrainian version

of the successful **Business Toolkits** in Russia. The toolkit will be updated and modified for Ukrainian needs by the USAID-funded post-privatization project scheduled to start in mid-1998 and may ultimately be released on a commercial basis, as was the case in Russia. Since the toolkit has not yet been released, the baseline figure is 0 rising to 1,500 units in 2000. In subsequent years, USAID will monitor use of the toolkit through a survey of recipients in an attempt to determine how the information has substantively impacted the performance, or at least behavior of enterprises.

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.1: Increased access to market-driven business skills			
INDICATOR: Privatized enterprises develop restructuring action plans			
UNIT OF MEASURE: number of plans SOURCE: EU-TACIS, UCPPS, USAID INDICATOR DESCRIPTION: donor-funded projects: number of plans at least 50% complete COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	N/A
	1998	20	
	1999	35	
	2000	50	

A complex set of business knowledge and skills is required for enterprise restructuring, usually provided by outsiders (strategic investors or consultants) working with committed enterprise management. In Ukraine, the level of enterprise restructuring will be indicated by the number of donor-funded restructuring plans at least 50% complete. The primary source of this data will be the new post-privatization project, but data from other donor-funded (TACIS) and the Ukrainian Post-Privatization Center will also be included. There is no official source of data for enterprise restructuring in Ukraine, but data from donor-funded projects will indicate a trend in enterprise restructuring. In particular, the capacity building approach of the new USAID post-privatization activity will indicate an acceptance of strategic investors and the consulting industry as key players in implementing enterprise restructuring.

IR 1.3b.2: Policy, legal and regulatory environment conducive to enterprise growth

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.2: Policy, legal and regulatory environment conducive to enterprise growth			
INDICATOR: Reorganization plans approved by High Arbitration Court			

UNIT OF MEASURE: number SOURCE: High Arbitration Court INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	N/A
	1998	5	
	1999	25	
	2000	75	

A number of USAID activities contribute to the improvement and stability of the policy, legal and regulatory environment and, therefore, to Ukraine's ability to attract capital. The USAID-funded Bankruptcy project succeeded in introducing financial restructuring to Ukraine through the adoption of Presidium Explanations by the Highest Arbitration Court (HAC) of Ukraine in early FY98. Amendments to the Law on Bankruptcy have been completed and are expected to be presented to the Rada for a second reading in early March. The **number of reorganization plans approved** by the arbitration courts will measure success. The HAC will be the source of data.

Significant contributing activities will come from other SOs. Notable under SO1.4 is the success of the Collateral Reform project in securing enactment in November 1997 of an amendment to the Law on Pledge to create a State Pledge Registry for pledges of movable property by (an optimistic) July 1, 1998. SO 1.3c's successes in deregulation (detailed under 1.3b.2.1 below) closely follows the collateral project's successes. SO 1.4's conversion of enterprise accounting to IAS (until 1998, part of SO 1.3) will be very important for the sustainability and growth of post-privatization economic development.

IR 1.3b.2.1: Capacity of the State Entrepreneurship Development Committee (SEDC) for deregulation activities is strengthened

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.2.1: Capacity of SEDC for deregulation activities is strengthened			
INDICATOR: Presidential decree gives SEDC authority to challenge regulations			
UNIT OF MEASURE: Yes/No SOURCE: Presidential Administration INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	No
	1998	Yes	

	1999	Yes	
	2000	Yes	

The SEDC has already met with success in the adoption of legislation substantially reducing the number of licenses required in Ukraine and establishing simplified business registration procedures. Key to this has been the promulgation of a Presidential Decree strengthening SEDC's powers to challenge existing and proposed regulations. The Mission will provide advisory assistance to the SEDC specifically in the area of post-privatization and will monitor the application of SEDC authorities in the interest of privatized enterprises as an indicator. Reports from the SEDC and USAID-funded advisor will be the source of data.

IR 1.3b.2.2: Enterprises have the ability to own land

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.2.2: Enterprises have the ability to own land			
INDICATOR: Amendments to Land Code and Pledge Law			
UNIT OF MEASURE: Yes/No SOURCE: Supreme Rada INDICATOR DESCRIPTION: legislative amendments passed by Rada COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	No
	1998	Yes	
	1999	Yes	
	2000	Yes	
INDICATOR: Increased private ownership of enterprise land			
UNIT OF MEASURE: number of enterprises SOURCE: ELS Project, State Committee on Land Resources INDICATOR DESCRIPTION: in 6 selected oblasts, enterprises with land titles COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	30
	1998	70	
	1999	150	
	2000	300	

A critical constraint to the growth of privatized enterprises is the privatization of land underneath them. The Mission has therefore established IR1.3b.2.2 **Enterprises have the ability to own land**. To measure progress toward this IR, the Mission has selected two indicators: one indicator focuses on the **legislative requirements**; the other on actual **enterprise land privatization**. To measure the trend in enterprise land privatization, the Mission will track the number of enterprises owning land in selected oblasts in Ukraine. The objective is to build momentum at the local and oblast levels to facilitate the roll-out of a national program, for which political support is mounting. The sources are the USAID-funded Enterprise Land Sales project and the State Committee on Land resources.

IR 1.3b.3: Privatized enterprises face fewer financial constraints to growth

Ukrainian enterprises face many financial constraints to growth. This IR focuses more on internal financial constraints related to the restructuring and efficiency of enterprises; legal, regulatory and financial sector factors outside of enterprises are tracked under contributing SOs. The Mission has selected four indicators as measures of success toward this IR.

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.3: Privatized enterprises face fewer financial constraints to growth			
INDICATOR: Increased housing divestiture			
UNIT OF MEASURE: percent SOURCE: Housing NGO INDICATOR DESCRIPTION: decrease in % of housing stock owned by enterprises COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	60
	1998	55	
	1999	45	
	2000	35	

An excessive burden to enterprises is the cost of maintaining social assets, in particular housing. The Mission has selected the **% of housing stock owned by enterprises** as an indicator, with data provided by an independent Ukrainian housing NGO. Although procedures exist to transfer (sell) enterprise housing to the respective municipalities, the fiscal plight of those cities has resulted in a stagnation of the process. This indicator will be dependent on progress in other SOs.

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.3: Privatized enterprises face fewer financial constraints to growth			
INDICATOR: wage and inter-enterprise arrears			
UNIT OF MEASURE: +/- 1.00 SOURCE: Rapid Enterprise Survey (SIEAG) INDICATOR DESCRIPTION: (A) reported trends in arrears (B) trends in inter-enterprise debt COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	+ .09 + .09
	1998	0.00 0.00	
	1999	-.15 -.15	
	2000	-.35 -.35	

The current financial state of many privatized enterprises is evidenced in part by the persistence of **wage and inter-enterprise arrears**. As enterprises become more efficient and financially stable, these figures should decrease. The SIEAG conducts a monthly Rapid Enterprise Survey of Ukrainian firms in which managers' perceptions of the increase or decrease of wage and inter-enterprise arrears is tracked. The Mission will monitor these figures as an indicator of a reduction in financial constraints to growth of enterprises. Studies have also shown that the wage and inter-enterprise arrears of an enterprise are the key indicators of the financial condition of potential business partners for the managers of Ukrainian firms, and the greatest reason for reliance on barter rather than cash trade (September 1997 SIEAG report). The indicator unit can range from +1, signifying that all respondents (100%) noted an increase in arrears, to -1, indicating a decrease in arrears across the board. December 1997 is the baseline figure and targets through 2000 are estimated annual trends. Through 2000 the Mission estimates that 35% of enterprises will report a reduction in arrears.

SUB-OBJECTIVE: 1.3b Privatized enterprises are more competitive and efficient			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3b.3: Privatized enterprises face fewer financial constraints to growth			
INDICATOR: WNIS Enterprise Fund investments			
UNIT OF MEASURE: \$USD (millions, cumulative) SOURCE: West NIS Enterprise Fund INDICATOR DESCRIPTION: increase in debt and equity investments COMMENTS: data collected through 9/30 of each year	YEAR	PLANNED	ACTUAL
	1996(B)	--	9.4
	1997	N/A	19.3
	1998	30	
	1999	45	
	2000	60	

As in the previous R4 (**SO 1.3**), the Mission will use **investments made by the W/NIS Enterprise Fund** as an indicator of investment trends in Ukraine. However, the unit of measure has been adjusted to cumulative total of actual investments (not pending commitments) made in Ukraine at the end of each FY. Through 2000 the W/NIS EF is expected to invest over \$60 million in Ukraine. This data will be supplemented by information on the number and value of foreign investment funds in Ukraine.

Significant contributing indicators will come from other SOs. Specifically the conversion of enterprise accounting to IAS, tracked under SO1.4, will indicate more effective financial management in enterprises. Divestiture of social assets under SO4.1 will reduce the asset drain on

many enterprises. Environmental compliance and reduction in energy consumption in enterprises, under SOs 1.6 and 1.5 respectively, will also directly reduce financial constraints inside enterprises.

2. Expected Progress Through FY 2000 and Management Actions

Working with other donors, the GOU and the Ukrainian private sector, progress is anticipated during the period through 2000. This progress will come primarily in the area of an increased local capacity to improve enterprise performance, further reform to the policy, legal and regulatory framework and a reduction of financial constraints inside enterprises.

It is important to reiterate that SO 1.3b largely represents new initiatives for the Mission. In fact, the most significant activity, post-privatization and enterprise restructuring, will start later in FY98, provided the certification required for the Ukraine assistance program is made. The enterprise land privatization and sales activity has only been underway since October 1997, and a major new initiative to address land markets in Ukraine is currently in the design stages.

The Mission's strategy to assist privatized enterprises is to encourage the re-direction of these firms, despite the possible social disruption, to effect a broader restructuring of the economy. Post-privatization activities are part of an integrated business support and development program - including small business, capital markets, and financial institution development. Together, these activities address the needs of all entrepreneurs and businesses, including increased access to credit, expanded investment, transfer of essential business skills, and reforms to the policy, legal, and regulatory environment.

To date, USAID has provided business skills training primarily to small business owners and entrepreneurs. This assistance will be expanded in FY 1998 to include managers of privatized enterprises. Accounting reform assistance provided under SO 1.4 will also result in increased conversion of accounts to IAS, a capacity critical for restructuring enterprises. With a small amount of assistance in establishing or increasing the skills of sales and marketing departments, Ukraine's position on the global market could be expanded. While 53% of managers identified other Ukrainian firms as important sources of new orders, less than 12% identified customers in Western Europe and North America as sources of new orders, with Central Europe faring only slightly better as a source for 14% of new orders.

Recent policy reforms and legislative progress are expected to encourage the growth of privatized enterprises. Political commitment has been expressed at the highest levels, although elections over the next 18 months raise some uncertainties regarding continued reform in the area of business development. Building momentum at the enterprise level and capacity in business service providers and associations will help to push the political agenda. Significant deregulation will also assist Ukraine in meeting IMF and World Bank loan conditionalities.

Ukraine's accession to the World Trade Organization (WTO) is nearing conclusion, possibly during 1998 or early in 1999. The discipline of adherence to WTO principles and related

agreements will contribute significantly to the policy and regulatory environment for business in Ukraine.

Support for enterprise land privatization, in conjunction with revisions to the Pledge Law in Ukraine will allow privatized enterprises to either sell their land to meet capital needs of the firm or use the land title as collateral for financing. In addition, privatized enterprise land will remove one additional barrier to investment, both foreign and domestic.

USAID support for the emergence of a dynamic capital market in Ukraine will also assist privatized enterprises by increasing access to capital as well as opening an avenue for strategic investors bearing know-how. However, corporate governance practices are still immature in Ukraine. The post-privatization activity will increase the effectiveness of corporate governance through investment funds.

The post-privatization project will be funded through FY 2000. The land privatization demonstration project will receive incremental funding in FY 1999. The new land markets project, drawing from several SOs, will be funded through FY 2000.

Strategic Objective 1.3c: Expanded role of small and medium enterprises (SMEs) in national economy

Note: since SME development is a new sub-SO, no summary performance rating will be provided this year

The rationale for establishing small and medium enterprise (SME) development in Ukraine as a separate component (sub-SO) of Strategic Objective 1.3 is based on two major strategic considerations. The first is that SME development is essential to Ukraine's transition to a market economy; the second is that significant opportunities exist for accelerating SME development in Ukraine.

The principal constraint to SME development in Ukraine today is the lack of an enabling policy environment, as evidenced by an onerous and opaque tax system and over-regulation. Secondary constraints include a weak financial system and lack of access to finance by small and microenterprises; low market demand in a stagnant or declining economy; and undeveloped business skills. However, there appears to be a consensus among policy makers and the populace that SMEs are likely to play a critical role in absorbing large numbers of unemployed and underemployed workers dislocated by the collapse or privatization and restructuring of state enterprises. By creating jobs at minimal cost to the government, SME development will serve as an efficient and very cost-effective social safety net. In addition, SMEs provide most jobs at relatively low cost to the economy vis-a-vis big industry, and serve as on-the-job training for a population learning the ways of a free market economy.

The strong potential for USAID to have a positive impact on SME development in Ukraine is based on the following factors:

- Since it is intended to alleviate constraints associated with the most disadvantaged segments of the population, SME development commands support even among those most reluctant to support reform in other areas. Both the 1998 parliamentary elections and the 1999 presidential election offer a unique opportunity to herald SME development as a priority issue.
- Policy reform -- the backbone of SME development -- does not require high levels of government investment.
- The authority to deregulate business development, recently granted by Presidential decree to the State Entrepreneurship Development Committee (SEDC), has created an opportunity for accelerating SME development in Ukraine. The SEDC is headed by a recognized reformer with a solid track record.

1. Performance Analysis

SO 1.3c: Expanded role of small and medium enterprises in national economy

OBJECTIVE: 1.3 Accelerated Development and Growth of Private Enterprises APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.3c: Expanded role of SMEs in national economy			
INDICATOR: Percentage of GDP produced by SMEs increases			
UNIT OF MEASURE: percentage GDP SOURCE: MinStat INDICATOR DESCRIPTION: as defined by official statistics <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1997 (B)	--	9.1
	1998	10.0	
	1999	12.0	
	2000	15.0	
INDICATOR: SMEs employ a greater percentage of workforce			
UNIT OF MEASURE: percent SOURCE: MinStat INDICATOR DESCRIPTION: as defined by official statistics COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	5.7
	1998	7.0	
	1999	10.0	
	2000	15.0	

Expanding the role of micro, small and medium-sized enterprises in the national economy will facilitate and accelerate the overall development and growth of private enterprises in Ukraine. This expansion is based on the premise that the growth of these enterprises will provide the popular base of support for movement toward a free market economy by serving as the source of broader-based increases in the incomes of poor Ukrainians and increasing the size of the middle class. To this end, USAID is providing the following programmatic elements:

- strengthening business skills through business service centers (NewBizNet and IFC), business incubators (Loyola College & Counterpart), franchising (Sibley) and American business volunteers (The Alliance)

- promoting policy and regulatory reform through NewBizNet advisors to the State Entrepreneurship Development Committee and providing technical assistance and operational support to strengthen fledgling business associations
- increasing access to finance through:

existing programs such as the West NIS Enterprise Fund, Eurasia Foundation, business incubator credit programs and credit unions (WOCCU); and

new programs to be started in 1998 including EBRD microcredit line, an NGO-led microfinance activity, and an activity by the IFC to develop leasing as a financing alternative for SMEs.

Movement toward the objective of expanding the role of SMEs can be measured by two indicators: increases in the percentage of GDP produced by SMEs and increases in the percentage of the workforce employed by SMEs. It is expected that SME contributions to GDP will increase from 9.1% in 1997, our base year, to 10% in 1998. Likewise, the percentage of the workforce employed by SMEs is expected to increase from 5.7% in 1997 to 7% in 1998.

IR1.3c.1: Improved access to market-driven business skills and information

OBJECTIVE: 1.3c Expanded role of SMEs in national economy			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.1: Improved access to market-driven business skills and information			
INDICATOR: Clients at business service centers			
UNIT OF MEASURE: Number of clients served. SOURCE: NewBizNet, IFC INDICATOR DESCRIPTION: selected centers COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	6,500 clients
	1998	10,000	
	1999	12,000	
	2000	12,000	

This IR is achieved through the expansion of sustainable services to businesses and the increase in businesses served by the various outreach mechanisms employed to provide those services. The principal indicator of the success of this IR is an increase in the number of clients served by the various providers of business services each year. It is anticipated that the number of clients served

in 1998 will total 10,000 -- an increase over the base year of 1997 (6,500 clients).

IR 1.3c.1.1: Improved outreach of business service providers

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.1.1: Improved outreach of business service providers			
INDICATOR: Business service centers/incubators operating in more cities			
UNIT OF MEASURE: number of cities SOURCE: NewBizNet, IFC, BIP INDICATOR DESCRIPTION: COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	8
	1998	16	
	1999	20	
	2000	24	

This IR measures the progress in achieving greater geographical coverage of business services throughout Ukraine by measuring the number of cities with business service provider offices. While the indicator of improved access (see above) measures an increase in total number of clients served, the above indicator measures how the coverage of service providers is broadened to clients living in various parts of the country. It is important to note that many business service providers serve not only the city in which their offices are located, but neighboring towns and villages as well. We expect an increase in coverage from eight cities (in some cases by more than one business service provider) in 1997 to 16 cities in 1998. Business service providers offer various business skills training and technical assistance packages. Most of these include basic business management, marketing, financial management, government relations, and technical improvements to products and services.

IR 1.3c.1.2: Improved financial viability of business service centers

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.1.2: Improved financial viability of business service centers			
INDICATOR: More business service centers with significant non-donor resource base			
UNIT OF MEASURE: number of centers SOURCE: SEDC INDICATOR DESCRIPTION: centers with 80 percent of resources coming from other than donor sources	YEAR	PLANNED	ACTUAL

COMMENTS:			
	1997(B)	--	0
	1998	4	
	1999	8	
	2000	10	

USAID's approach to broaden and increase the services provided to SMEs by business service providers necessitates that business service centers (BSCs) established with USAID support become self-sustainable. This will ensure that those business services are available to SMEs after USAID's support is ended. The indicator by which this IR is measured is the achievement of a significant non-donor base of resources. This can include revenue from client fees as well as from governments and private sector foundations or NGOs. The indicator will measure the number of BSCs with 80% of resources from other than donor sources. Starting in 1997 when none of the BSCs had achieved this percentage, this number is expected to grow to four BSCs in 1998.

IR 1.3c.1.3: Improved financial viability of business associations

OBJECTIVE: 1.3c Expanded role of SMEs in national economy			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.1.3: Improved financial viability of business associations			
INDICATOR: Increase in member-based, fee or dues paying business associations			
UNIT OF MEASURE: cumulative number of associations SOURCE: NewBizNet INDICATOR DESCRIPTION: at least 15% of operations funds come from members COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	3	
	1999	5	
	2000	8	

Another vehicle for the provision of business services is through business associations. While associations are still in a nascent stage of development in Ukraine, USAID has recently modified the NewBizNet project to provide support to their growth and development. Still at the early stages of development, the indicator for this IR will measure the success of the business associations assisted by NewBizNet in obtaining financial resources from their members. In doing so, associations will not only be moving toward financial viability, but positive results will also

indicate that members appreciate the value of the services that the associations provide. USAID will draw on the successful experience of the Ukrainian Associations of Cities (UAC) in lobbying government and in providing services. Natural linkages between the UAC and business associations on a city or regional basis will also be promoted. The indicator will measure the number of business associations assisted by NewBizNet which receive at least 15% of their existing funds from member contributions. This number is expected to grow from zero in 1997, the base year, to three in 1998.

IR 1.3c.2: Legal, regulatory and political environment more conducive to business development

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.2: Legal, regulatory and political environment more conducive to business development			
INDICATOR: SME owners report less time and money is utilized to comply with regulations			
UNIT OF MEASURE: (A) employee days (B) \$US spent SOURCE: International Center for Policy Studies INDICATOR DESCRIPTION: respondents indicate time and money spent on compliance <hr/> COMMENTS: Targets for 1999 and 2000 will be established by the end of 1998.	YEAR	PLANNED	ACTUAL
	1997(B)	--	(A) 170.0 (B) 6600.0
	1998	144.5 5610.0	
	1999	TBD	
	2000	TBD	

This IR deals with the critical role of the enabling environment in business development. This role serves as the lynchpin of this strategic objective since without a positive policy environment other activities to expand the role of SMEs in the national economy will have limited impact. The strengthening of governmental agencies which are empowered to review and challenge government over-regulation of SMEs is a key component of this IR. In the long-term, business associations will provide an institutional vehicle for SMEs to represent their interests before government.

USAID's activities in this sphere are drawing on the lessons of successful SME development policy change in Central Europe and include technical assistance to government officials, with emphasis on support to reformers. USAID's activities also include technical assistance and operational support to fledgling business associations that show promise of expanding their membership base and providing needed services to SMEs. The key indicator for this IR is a decrease in time and money spent by SMEs in complying with government regulations, as measured through periodic surveys of SME managers. The baseline average is 170 employee days and \$6,600 spent per business per year on complying with government regulations. The target for 1998 is to reduce these figures by 15%.

IR 1.3c.2.1: State Entrepreneurship Development Committee (SEDC) capacity for deregulation activities is strengthened

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.2.1: SEDC capacity for deregulation activities is strengthened			
INDICATOR: Presidential decree gives SEDC authority to challenge regulations			
UNIT OF MEASURE: Yes/No SOURCE: SEDC/Official Government Publication INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	No
	1998	Yes	
	1999	Yes	
	2000	Yes	
INDICATOR: SEDC successfully challenges regulations			
UNIT OF MEASURE: number of regulations SOURCE: SEDC INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	2	
	1999	TBD	
	2000	TBD	

This committee is the key agency in the Ukrainian government responsible for deregulation to make the environment for SMEs more conducive to growth. It is led by a recognized reformer who has demonstrated his effectiveness in promoting private sector growth in past government positions. USAID has provided technical assistance and study tours (drawing heavily on lessons from Poland's reform of the SME sector), material support through contributions of office equipment and printing of documents, and public education support to publicize successful positive changes in government policies and procedures. This support commenced in 1997 and is continuing. Improvements in the capacity of the SEDC will be measured by increased authority to promote deregulation for SMEs and success of the SEDC in challenging onerous regulations. The indicators are (1) presidential decree giving the SEDC the authority to challenge regulations, and (2) the number of regulations overturned as a result of challenges by the SEDC. Targets for

1998 are the issuance of the Presidential decree and the overturn of two regulations challenged by the SEDC.

IR 1.3c.2.2: Tax code for SMEs is simplified

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.2.2: Tax code for SMEs is simplified			
INDICATOR: Law on fixed tax for SMEs			
UNIT OF MEASURE: drafted/submitted/passed/implemented SOURCE: WB survey INDICATOR DESCRIPTION: COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	No
	1998	passed	
	1999	implemented	
	2000	implemented	

USAID supports activities by the SEDC to simplify tax procedures for small and microenterprises. The achievement of this IR will be evidenced by the passage of a tax law which simplifies tax procedures for small and microenterprises. Such a law did not exist in 1997, the base year. The target for 1998 is the passage of such a law.

IR 1.3c.3: Improved access to finance

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.3: Improved access to finance			
INDICATOR: Increased loan activity to SMEs			
UNIT OF MEASURE: (A) number; (B) \$(thousands) SOURCE: Banks and NGOs INDICATOR DESCRIPTION: selected institutions COMMENTS: Programs are still in the process of design, we will have targets by the end of 1998.	YEAR	PLANNED	ACTUAL
	1997(B)	--	N/A
	1998	TBD	
	1999	TBD	

	2000	TBD	
--	------	-----	--

While a number of donor programs have provided access to financing for medium to large enterprises, there have been few programs to encourage access to financing by small and microenterprises in Ukraine. USAID's activities to date have included finance provided through the West NIS Enterprise Fund, the Eurasia Foundation, credit union support through WOCCU and some small funds available through business incubators. While these activities will continue, USAID plans to initiate a major microfinance initiative in 1998 to provide funds to small and microenterprises. One component will involve a buy-in for technical assistance to a microcredit line financed by the EBRD through Ukrainian commercial banks. A second component will involve a new activity to finance microenterprises using NGOs for outreach and program administration, but with links to the banking sector. Since USAID funds will be primarily for technical assistance, the World Bank Social Investment Fund could be a potential source of loan funds for this second component. It is anticipated that these two components will result in substantial increases in access to financing by small and microenterprises.

The principal indicators to measure the achievement of this IR are increases in both the number of loans and total amount loaned to SMEs by USAID supported finance institutions. While it is anticipated that the EBRD component will commence activities mid-1998, it is not expected that any loans will be made by the second component until 1999. Thus, 1998 will not produce substantial increases.

IR 1.3c.3.1: More financing options, such as leasing, are available

OBJECTIVE: 1.3c Expanded role of SMEs in national economy			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.3.1: More financing options, such as leasing, are available			
INDICATOR: Institutions use leasing as a viable option			
UNIT OF MEASURE: number of institutions leasing, number of leases SOURCE: IFC INDICATOR DESCRIPTION: selected institutions COMMENTS: The baseline figures for 1997 and targets for 1998 will be determined in the first stage of the IFC activity.	YEAR	PLANNED	ACTUAL
	1997(B)	--	N/A
	1998	TBD	
	1999	TBD	
	2000	TBD	

A second effort to be financed by USAID in 1998 is an IFC activity on: (a) how to implement the recently passed law on leasing; and (b) related training to financial institutions, private entrepreneurs and government officials on how leasing programs might be implemented and the means of accessing financing through leasing mechanisms. It is anticipated that this activity will substantially increase financing opportunities for SMEs. Increased leasing finance will probably be small in 1998, but should increase drastically in 1999. The two indicators of increased leasing opportunities to be tracked will be the number of institutions offering leasing finance and the total number of leases issued during a year.

IR 1.3c.3.2: Institutional capacity of microlenders is strengthened

OBJECTIVE: 1.3c Expanded role of SMEs in national economy APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.3c.3.2: Institutional capacity of microlenders is strengthened			
INDICATOR: Institutions providing microcredit			
UNIT OF MEASURE: number of institutions SOURCE: poll TBD INDICATOR DESCRIPTION: COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	3	
	1999	8	
	2000	15	
INDICATOR: Increased profitability/approach break-even point of microlending institutions			
UNIT OF MEASURE: number of institutions SOURCE: poll TBD INDICATOR DESCRIPTION: institutions break even in costs/revenues COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	0
	1998	0	
	1999	1	
	2000	3	

USAID activities in support of microfinance will result in strengthening the capacity of banks, credit unions and NGOs to provide finance to microenterprises. Technical assistance provided by USAID will utilize other sources of loan capital, both internal and external to Ukraine. Achievement of this IR will be measured by two indicators. The first will measure the number of institutions providing microcredit; it is anticipated that this number will increase (through the EBRD component) from zero in 1997 to three in 1998. The second indicator will measure financial viability. In the case of NGO-led microfinance institutions, success will be measured by how well they are covering program costs with revenue. Banks' success will be measured by whether their programs are profitable. Since 1998 is the first year for microfinance activities, institutions are not expected to break even until 1999 or 2000.

2. Expected Progress through FY 2000 and Management Actions

USAID is strategically positioned to have a major impact on SME development in Ukraine through FY 2000 and beyond as a result of the opportunities mentioned in Part I of this section, and through the varied and multi-faceted activities in which USAID programs support the growth of the SME sector. USAID's three-pronged approach to SME development -- policy/regulatory reform, business skills development and access to finance -- provides a comprehensive program to improve the enabling environment for SMEs while improving the skills of entrepreneurs and increasing access to finance. USAID's activities to date have concentrated on business skills development, providing a base for expansion into the other areas of activity. The lessons learned about SME development constraints and opportunities will be obtained by working with entrepreneurs through the various business service centers and studies on impediments to business development. USAID/Kyiv stands at the threshold of a much broader-based and comprehensive program, which should assist Ukrainian entrepreneurs in achieving substantial gains in growth, provided the GOU continues its movement toward greater support of SME development.

Strategic Objective 1.4:
A more competitive and market-responsive private financial sector

Objective Name	Rating	Evaluation Findings
SO 1.4 A more competitive and market-responsive private financial sector		

Although last year was a difficult one for the banking sector, most targets were met. The ongoing problem is that with declining economic growth, lending opportunities are sharply circumscribed. The continuing bright spot in the economic picture has been the rapid deceleration of inflation. However, even this is not without its problems for the banking sector. In the first place, real (inflation-adjusted) returns on Ukrainian treasury bills have fallen precipitously. This had been a lucrative and relatively risk-free source of revenue for a good number of banks. Second, interest rate spreads (between assets and liabilities) have been reduced as lending rates came down more quickly than already low deposit rates.

Moreover, as the National Bank of Ukraine (NBU) has moved aggressively forward in its supervisory responsibilities, banks have had to become more rigorous about procedures and reserving for losses. Finally, in the wake of the Asian financial crisis in November, the Ukrainian currency came under pressure. Foreign investors withdrew from the domestic treasury bill market. The NBU acted swiftly to defend the currency. Tightening monetary policy led to a sharp increase in interest rates, which could cause further problems for the banking system in the coming months. On a positive note, the financial infrastructure of the NBU continues to develop as described below. All of the conditions connected solely to NBU responsibilities -- necessary to the release of the first tranche under the World Bank Financial Sector Adjustment Loan (FSAL) -- have been met. The most important bottleneck currently is the failure of the Verkhovna Rada to pass the National Bank Law, which contains enabling legislation for NBU bank enforcement functions.

The unfortunate series of recent Asian banking sector failures has highlighted forcefully the importance and centrality of a healthy banking sector to the success of more general macroeconomic policies. Thus, not surprisingly, the IMF has determined that the banking sector will be one of the centerpieces of the new work on an Extended Financing Facility (EFF) for Ukraine. An IMF Mission visited Ukraine in February expressly to work with the NBU (and their USAID advisors) to develop a framework for the banking sector program.

The overall environment for the securities market was quite favorable with market activity and regulation developing as well as or better than projected. The largest external factor impacting its development was the slow pace in privatizing large, attractive companies that would be available to the securities market. Much of this problem can be attributed to the reluctance of the State Property Fund to sell blocks of shares in the large enterprises in certificates auctions. At the end

of 1997 the Government announced its intention to privatize many strategic enterprises in 1998 and beyond. If these plans are realized, the development of Ukraine's securities market will be substantially enhanced. A secondary problem is the Asian financial crisis in the last quarter of 1997 that depressed prices and trading in all emerging securities markets, including Ukraine's. It will take months for international portfolio money to return in significant amounts.

The Securities Commission's new disclosure program calling for the leading enterprises to disclose their financials using International Accounting Standards will give a significant boost to the attractiveness of the enterprises and, in turn, to investment in Ukraine's securities market. Also, the securities industry's loud call to the Commission to enforce good corporate governance practices, especially with regard to minority shareholder rights, is a clear indicator that private initiative is growing within the financial sector.

1. Performance Analysis

SO 1.4 A more competitive and market-responsive private financial sector

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.4: A more competitive and market-responsive private financial sector			
INDICATOR: Increased private sector investment intermediated through the banking sector			
UNIT OF MEASURE: Percent SOURCE: EU-TACIS, Ukrainian Economic Trends, ECMAU INDICATOR DESCRIPTION: share of total commercial bank credits to private enterprises and households as percent of total bank credits COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-36-
	1997	45	49
	1998	50	
	1999	55	
	2000	65	

Starting with the overall objective SO 1.4, the first indicator is **Increased private sector investment intermediated through the banking sector**. The expectation was for a small increase in the share of total commercial bank credits to private enterprises and households as a percentage of total bank credits. The actual result for ten months was about 49 percent, which is four percentage points above the target. Reasons for this increase include:

Government directed lending through the banks to state enterprises has become less prevalent over the last year.

The yields on government treasury bills have dropped substantially in the wake of decelerating inflation. Thus, banks are looking for more lucrative lending opportunities.

As banks hone their credit analysis skills they are moving away from their traditional client base in the government sector.

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.4: A more competitive and market-responsive private financial sector			
INDICATOR: Increased securities market investment			
UNIT OF MEASURE: Percent SOURCE: EU-TACIS, Ukrainian Economic Trends, ECMAU INDICATOR DESCRIPTION: total capital in investment fund industry as percent of GDP COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	Negligible
	1997	0.1	0.3
	1998	0.2	
	1999	0.4	
	2000	0.6	

The second indicator for SO 1.4 is **Increased securities market investment**. The money accumulated in the nascent investment fund industry (indicated as a percentage of GDP) through 1997 was only 0.3 percent, above the expected figure of 0.1 percent. It is a positive sign of the development of Ukraine's securities market. Investment intermediated by the securities market is expected to grow (especially financings via banks and broker-dealers). Investment through funds, though, may not continue as expected. The problem is that the legal basis for investment funds is still weak (based on a brief presidential decree from 1993). The draft law for funds has met considerable resistance. Until a law is passed there is a strong possibility that investment through funds will not grow.

IR.1.4.1: Market-oriented private banking sector developed

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector
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APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1: Market-oriented private banking sector developed			
INDICATOR: Assets of country's ten largest private banks increases			
UNIT OF MEASURE: Percent SOURCE: NBU INDICATOR DESCRIPTION: total assets of 10 largest private sector banks as percentage of assets of 5 former and current state-owned banks COMMENTS: Banks: DENOMINATOR -- Oschadny, EXIM (Ukraine), Prominvest, Ukraina, Uksots. NUMERATOR -- Privat, PUNB, UKRIN, AVAL, Kib, BrokBiznesBank, Slavianski, Ukrainian Credit, Zeus, Nadra	YEAR	PLANNED	ACTUAL
	1995(B)	--	-35-
	1997	50	52
	1998	58	
	1999	68	
	2000	73	

The indicator, **Assets of country's largest ten private banks increases**, looks at a subset of the largest private banks relative to the former state owned banks. The Ukrainian banking system is extremely fragmented and over-banked because of the prolific issuance of licenses in the first period after independence. This is characteristic of many countries in the region. A large portion of so-called banks are little more than arms of enterprises' treasuries and will probably not survive as viable entities. For this reason it is misleading to look at more than a subset of banks which will become the nucleus of a true private and market-oriented banking sector. Our expectation was that there would be a steady acceleration in the share of the private banks because of their greater flexibility to search out higher income earning assets. The 1997 result was basically on target. Half of the total assets of the banking sector are now accounted for by private banks. The private banks, which have a smaller burden of nonperforming assets relative to the former state banks, are able to aggressively expand their balance sheet relative to the former state banks. Moreover, because they are more efficient and generate confidence, private banks are better positioned to attract deposits to serve as the basis for rapid asset expansion.

IR 1.4.1.1: Financial infrastructure promotes confidence in the banking system

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1.1: Financial infrastructure promotes confidence in the banking system			
INDICATOR: Commercial banks meeting minimum capital requirements			
UNIT OF MEASURE: Percent SOURCE: NBU	YEAR	PLANNED	ACTUAL

INDICATOR DESCRIPTION: banks meeting NBU 5% capital to assets requirement COMMENTS:			
	1995(B)	--	-89-
	1997	94	98
	1998	96	
	1999	97	
	2000	99	

IR 1.4.1.1 measures confidence in the banking sector in terms of the development of the financial infrastructure. Development of the financial infrastructure -- bank supervision, bank accounting standards, electronic funds transfer system, legal infrastructure and a collateral registry -- is a prime objective of the USAID technical assistance program. In 1997, virtually all banks were able to meet the NBU **minimal capital requirements**. A caveat is in order, however: until international accounting standards (IAS) are well established in the banking system, this ratio must be interpreted with caution.

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1.1.1: Modern, standardized accounting system developed			
INDICATOR: Commercial banks adopt International Accounting Standards (IAS)			
UNIT OF MEASURE: Yes/No SOURCE: NBU, IMF advisor INDICATOR DESCRIPTION: banks convert to IAS COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	Yes	No
	1998	Yes	
	1999	Yes	
	2000	Yes	

As was discussed last year's R4, 1997 was a critical year. It is fair to say that the NBU's commitment to banking sector reform, while lagging for some time, finally turned a corner in mid-1997 with the appointment of a new Deputy Governor. **International Accounting Standards** (IR1.4.1.1.1) were introduced in January 1998, about six months later than planned. Part of this lag was related to NBU lethargy and understaffing early in the year; part related to a delay in EU-TACIS funding for testing the new accounts.

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1.1.2: Improved banking supervision capacity			
INDICATOR: Bank examinations focus on asset quality and management			
UNIT OF MEASURE: percent SOURCE: NBU Bank Supervision INDICATOR DESCRIPTION: banks examined annually by NBU head office (full scope CAMEL method) COMMENTS: targets revised upward	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	25	25
	1998	50	
	1999	50	
	2000	50	

INDICATOR: Effective off-site examination system in use			
UNIT OF MEASURE: none/partial/full SOURCE: NBU Bank Supervision INDICATOR DESCRIPTION: functioning early warning system with analytic reports COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	none
	1997	full	partial
	1998	full	
	1999	full	
	2000	full	

The quality of **bank examinations** (1.4.1.1.2a) has improved both quantitatively (the target was met) and qualitatively. Considering that two years ago bank inspections were little more than checklists of compliance with regulations, it is impressive that today 25 percent of the inspections by the head office are conducted in accord with Western methods. The task now is to transfer this methodology to the regions. Strides were also made in **off-site examination** (1.4.1.1.2b) techniques. The partial fulfillment of the target is our judgment: while there is still not a formal policy delineating uniform procedures when a problem is discovered, there is a system in place with analytic reports provided regularly to senior management.

There has also been substantial progress in the development of a **national registry** for movable property. An amendment to the Pledge Law established July 1998 as the date to initiate this collateral registry. Work is proceeding apace. Another solid achievement was the adoption of the **NBU electronics payment system** to serve as a depository for the registration of government securities. This is critical for the development of a secondary market in government paper. Other solid achievements include the adoption of prudential regulations including those for loan-loss provisioning and loan diversification.

The one area where progress is not acceptable is in the development of the **legal infrastructure**. The National Bank Law is still in its first reading. It contains enabling legislation for bank supervision enforcement. Until it is passed, the NBU will be hampered in its ability to deal with problem banks.

**IR 1.4.1.2: Increase in savings mobilization through the banking system and
IR 1.4.1.3: Increased competition in the banking system**

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1.2: Increase in savings mobilization through the banking system			
INDICATOR: Increase in savings mobilization through the banking system			
UNIT OF MEASURE: M2/GDP (%) SOURCE: NBU Bulletin INDICATOR DESCRIPTION: COMMENTS: baseline revised downward	YEAR	PLANNED	ACTUAL
	1995(B)	--	-9-
	1997	18	13
	1998	21	
	1999	26	
	2000	29	
OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.1.3: Increased competition in the banking system			
INDICATOR: Fall in intermediation spread			
UNIT OF MEASURE: percent SOURCE: NBU Bulletin INDICATOR DESCRIPTION: bank lending interest rate minus bank borrowing interest rate COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-61-
	1997	44	31
	1998	37	
	1999	29	
	2000	15	

IRs 1.4.1.2-3 discuss confidence in the system as evidenced by an **increase in savings mobilization through the banking system** and a **decrease in the intermediation spread**, which occurs as competition increases. As in 1996 we have overestimated the pace at which savings would be mobilized by the banking system. It should be noted that these two indicators are very much at the frontier of knowledge. Ukraine has had one of the worst episodes of

hyperinflation in the region, and it is difficult to estimate inflationary expectations or the public's willingness to conduct business through the banks. It was expected that with the rapid deceleration of inflation and stability of the exchange rate, financial reintermediation would proceed. Beginning in the first quarter of 1997, some increase in this ratio has occurred. However, even by standards for the transitional economies of this region, 13 percent is still very low. Moreover, with the pressure on the currency at the end of 1997, it is likely that there will be some deceleration in savings mobilization. The decline in the intermediation spread was also underestimated, owing to an underestimate of the deceleration of inflation. Projections for 1997 inflation were about 30 percent, but the result was roughly 10 percent. This reduction of inflation led to a decline in bank lending rates.

IR 1.4.2: Transparent and open securities market established

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.2: Transparent and open securities system established			
INDICATOR: Market capitalization of corporate securities traded			
UNIT OF MEASURE: \$billion SOURCE: PFTS, UICE, KICE, DSE INDICATOR DESCRIPTION: total value of first-tier corporate equity traded on the regulated securities markets COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	2.0	2.1
	1998	4.0	
	1999	10. 0	
	2000	15. 0	

USAID assisted the Securities Commission throughout the year in drafting laws and regulations needed to augment its normative base as well as in building its enforcement program to ensure greater compliance with prescribed norms by the securities industry. Moreover, USAID assisted in the two-fold expansion as well as augmentation of the nationwide, computer-driven over-the-counter trading system (PFTS) which in turn led to the many-fold increase in trading activity and transparency of transactions.

Performance in 1997 throughout the securities markets generally met or exceeded expectations. The regulatory part of the program advanced well with enhancement to the legal framework and the development of a substantive enforcement program. Market activity increased far more than

expected. By all measures, this activity is progressing well. The infrastructure institutions upon which the secondary market is based are being built as envisioned.

IR 1.4.2.1 Securities Commission Empowered and Functioning

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.2.1: Securities Regulatory Commission is empowered and overseeing capital market activities			
INDICATOR: Laws, decrees, regulations adopted to establish regulatory framework			
UNIT OF MEASURE: number adopted SOURCE: SSMSC INDICATOR DESCRIPTION: principal laws, decrees and bodies of regulation (10+) necessary to a well-functioning securities market COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	7	8
	1998	9	
	1999	11	
	2000	16	

The Securities Commission was fully empowered to oversee capital market activities in 1996. In 1997, the Commission began its long-term program of building the securities market regulatory framework by marshaling the Law on a National Depository System through the Parliament and adopting important regulations regarding: 1) securities traders activities; 2) self-regulatory organizations; 3) organized trading and information systems; and 4) corporate disclosure. The target of adopting seven principal legal documents through 1997 (**to establish the regulatory framework**) was exceeded by one. Three laws, which have already been drafted with USAID assistance, have yet to pass: amendments to the Business Association Law (providing modern corporate governance protections for shareholders), an investment fund law, and a comprehensive securities and the stock market law to replace the outdated 1991 version. These laws and accompanying regulations will be the principal focus in building the regulatory framework over the next two years.

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.2.1: Securities Regulatory Commission is empowered and overseeing capital market activities			
INDICATOR: Enforcement/compliance activities			
UNIT OF MEASURE: cumulative number SOURCE: SSMSC INDICATOR DESCRIPTION: activities involving penalties or sanctions that signal serious regulatory oversight of the market COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	2	10
	1998	4	
	1999	6	
	2000	10	

The Securities Commission initiated ten major enforcement cases in 1997, exceeding the target of two. Six of these cases have been settled out of court. One case was settled administratively with the offending investment company sanctioned for trading its own securities and not disclosing required information. The Commission has increased its enforcement capacity. It is imperative, however, that the enforcement proceedings of the Commission are conducted more openly to ensure that the public and the securities industry understand the process as well as the Commission gains more of a deterrent effect from its enforcement actions. Targets for this indicator will be revised upward in the 1999 R4.

IR 1.4.2.2: Self-regulating organizations (SROs) of market participants authorized and effective

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.2.2: SROs of market participants authorized and effective			
INDICATOR: Number of SROs licensed by SSMSC			
UNIT OF MEASURE: cumulative number SOURCE: SSMSC INDICATOR DESCRIPTION: have attained the status of SRO from SSMSC COMMENTS: *provisional	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-

	1997	2	3*
	1998	3	
	1999	4	
	2000	6	

INDICATOR: SROs take disciplinary actions			
UNIT OF MEASURE: cumulative number SOURCE: SSMSC, SROs INDICATOR DESCRIPTION: arbitration or disciplinary actions conducted by licensed SROs that resolve serious disputes or enforce regulatory standards among members COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	1	10
	1998	2	
	1999	3	
	2000	30	

The **number of SROs licensed by the SSMSC** was expected to be two in 1997. Three were authorized provisionally by the Securities Commission. These are the Broker-Dealer Association (PFTS in Ukrainian), the Ukrainian Association of Investment Businesses (UAIB), and the Professional Association of Registrars and Depositories (PARD). Each of the market associations has begun exerting discipline over the actions of members. Of the three provisional SR organizations, the PFTS adopted the most extensive compliance procedures and has already conducted 10 **disciplinary actions** within the association. USAID will assist UAIB and PARD to conduct similarly successful compliance programs in 1998.

IR 1.4.2.3: Active and open trading of shares

OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.4.2.3: Active and open trading of shares			
INDICATOR: Share turnover			
UNIT OF MEASURE: \$millions (annual figure) SOURCE: Regulated securities markets INDICATOR DESCRIPTION: dollar volume of trades in the PFTS and other active regulated securities markets COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	10	187
	1998	100	
	1999	300	

	2000	1,0	00
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INDICATOR: Publicly traded companies using independent registrars			
UNIT OF MEASURE: percent SOURCE: SSMSC, PARD INDICATOR DESCRIPTION: privatized companies that have independent share as percent of those required to have such COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	40	84
	1998	50	
	1999	50	
	2000	95	

The target for **share turnover** in 1997 was exceeded manyfold, with \$187 million of trading volume at the PFTS as compared to the \$10 million expected (targets will be revised upward in the 1999 R4). This marketplace doubled its membership and extended its direct linkage to its trading system to two more major Ukrainian cities (Kramatorsk and Kherson). It now has built up a critical mass of members, established effective trading procedures among its members, and found securities with considerable attraction to traders.

An example of the more effective trading processes is the increased use of independent share registrars to manage the shareholder lists of large enterprises. Registrars generally provide a more standardized and efficient processing of ownership claims which facilitates trading. In 1997, 84 percent of all large privatized companies had begun **using independent registrars**, far above our expectations of 40 percent.

2. Expected Progress through FY 2000 and Management Actions

The conservative banking targets set for 1997 were met by and large; similarly conservative targets are projected through 2000 and we expect them to be met, given no major disruptions in the social, political and economic environments -- of particular concern at the moment is the very real danger of a systemic banking crisis.

The primary risk is that the Ukrainian government will not begin to address the question of systemic risk, given the short-term horizon with which it tends to operate in many areas. Given the current international financial environment, in which investors will demand higher prices for risk, and the substantial fiscal imbalance of this country, addressing this issue quickly becomes paramount. The other difficulty, although less likely, is that the forces, which would have the banking system continue to give directed credits to nonpaying enterprises, gain ascendancy.

Through this R4 period USAID programs will continue developing the building blocks of the financial system (infrastructure development and human capital development) and begin to address larger systemic issues. We expect to see the following important accomplishments:

The basic infrastructure is in place with passage of a new National Bank Law and amendments to the Law on Banks and Banking;

The banking system is reporting to the NBU in accord with international accounting standards (IAS) at a sufficiently disaggregated level to allow rigorous NBU scrutiny of balance sheets.

The National Bank of Ukraine Supervision Department has been upgraded in stature and its components are functioning as an integrated unit;

Relicensing of banks has culled the system of banks which could be more accurately characterized as financing arms of enterprises (pocket banks) rather than true intermediaries of funds;

A rehabilitation plan is being executed for the savings bank.

A credible deposit insurance system is functioning.

A self-sustaining professional bank training school is functioning.

The State Pledge Registry for Moveable Property is fully developed and functioning nationwide.

The government has honored a significant proportion of its lending guaranties to the former state banks.

More problematic, but equally important to ensure a safe and sound banking system for the country are the following:

The government is no longer using the banks to fund problematic state enterprises and politically favored sectors.

Full scope examinations have been conducted and rehabilitation actions begun for the three largest former state banks which compose about two-thirds of banking sector assets;

The National Bank of Ukraine has begun to act aggressively to restructure, and, if necessary, find strategic investors for banks which have acute and chronic liquidity problems;

The National Bank of Ukraine, empowered with liquidation authority by the Law on Banks and Banking, is moving aggressively to close insolvent banks.

For capital markets, USAID will work with the Securities and Stock Market State Commission on enforcement and further legislation, and with various associations to assist them in becoming fully functioning self-regulatory organizations. USAID has also already started to work with Ukrainian government and private investors to develop a national depository/clearance and settlement system to optimize the safekeeping of shareholders records of 15 million Ukrainians as well as accommodate the expected rapid increase in secondary market trading in that will continue in FY 98 and beyond.

In 1998 we expect to see the following important accomplishments:

Two of the three remaining laws needed for completion of the securities market infrastructure will be adopted, preferably the Investment Fund Law and the amendments to the Business Association Law.

The Securities Commission will have adopted administrative procedures that will ensure policy making and enforcement proceedings will be conducted publicly.

The National Bank, Securities Commission and securities industry will conclude a strategy for the national depository/clearance and settlement system and launch the system on the basis of the USAID pilot project.

Standards for the registrar industry will be raised, increasing the professionalism of the industry and consolidating the member firms to only those capable of using best practices in serving the market.

The Securities Commission adopts an aggressive corporate governance campaign that instills confidence that minority shareholder rights will be protected.

The National Bank, the Securities Commission and the securities industry, together adopt a national depository system strategy and build a credible deposit insurance system.

Adoption of the International Accounting Standards, fully or in principle, by the National Accounting Standards Board and the Tax Administration.

Roll-out of the new Securities Commission disclosure program based on the International Accounting Standards.

- Expanded capacity of the Ukrainian Federation of Professional Accountants and

Auditors to conduct training and certification of the association's members in at least one-half of the country and certify an additional 500 professionals.

Strategic Objective 1.5:
A more economically sustainable and environmentally sound energy sector

Objective Name	Rating	Evaluation findings
SO 1.5 A more economically sustainable and environmentally sound energy sector	Not Met	

Given its importance as a major component of the economy, the energy sector's problems and solutions will be key determinants of Ukraine's future. Solutions to those problems will profoundly affect the economy, politics, and environment. The electric power industry, with 56,000 MW of installed capacity, saw production fall 35% from 1990 to 1995. An inefficient industrial sector consumes 60% of that production. Thermal power plants burn 50% of all coal consumed in the country, both domestic and imported. Ukrainian coal supplies about one quarter of the country's energy needs and employs over 600,000 people. Heavily dependent upon fuel imports, particularly from Russia, Ukraine has built up over \$1.7 billion in energy debt since independence. About half of Ukraine's hard currency reserves go to maintain imported fuel levels. Nuclear power has great potential but is problematic due to the Chornobyl disaster. Sector restructuring is aimed at turning a subsidized, inefficient system -- a net drain on the economy -- into one that is profitable and directed by market forces.

Since 1995 Ukraine has disaggregated its regional monopolies into four thermal, one nuclear and 2 hydro-electric generating companies (GENCOs) and 27 local distribution companies (LECs). The government enacted the Energomarket Members Agreement on power market rules and appointed a Board of Directors to administer technical market operations and funds distribution. The National Electricity Regulatory Commission oversees the wholesale market operation. All of these measures have established the framework for programs transforming the energy sector into a transparent, market-based, regulated system.

Market pressures have been slowed by non-cash transactions: increasing debt, tax avoidance through barter arrangements, tax payment in free energy to the government, political pressure to continue free service, legal impediments to service cut-off, and a lack of organization and diligence by distributing companies. The resulting financial crisis in the power sector led to a hold by the IMF on a Standby Loan and by the World Bank on \$240 million of a \$317 million loan slated for fuel purchase. Out of the October 1997 Gore-Kuchma meetings, the GOU organized the Interagency Power Sector Financial Recovery Commission to address the crisis. This commission produced an Action Plan for Financial Recovery of the Power Sector of Ukraine. Major portions of the draft plan were presented at the Donor Conference in Kiev 11-12 January, 1998. If implemented, the plan will help to stabilize the electricity industry and accelerate market reform in the national economy.

The connection between increasing the proportion of private power in an energy system and more

environmentally sound and efficient energy production is difficult to quantify. It is generally accepted, however, that increased private power production, transmission and distribution lead to greater fuel efficiency and reduced emissions of pollutants.

Environmental issues in the energy sector are also related to the catastrophic accident at the Chernobyl Nuclear Power Plant in 1986, as well as old and inefficiently operated thermal power plants that are coal burning and provide the main source of carbon dioxide emissions in the country. Ukraine ratified the UN Framework Convention on Climate Change in the summer of 1997 and signed the Kyoto Protocol on implementation of the Convention in December of 1997. Therefore, the country has made international commitments on setting up nation-wide policy programs aimed at reducing carbon dioxide emissions.

USAID's energy strategy focuses on three major intermediate results: (1) a **more competitive, financially sustainable power delivery system**; (2) a **more stable fuel supply**; and (3) **reduced environmental, economic and social consequences of the Chornobyl accident**.

1. Performance Analysis

SO 1.5: A more economically sustainable and environmentally sound energy sector

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.5 A more economically sustainable and environmentally sound energy sector			
INDICATOR: Reduction of budgetary subsidies for power and energy resources production			
UNIT OF MEASURE: (A) \$millions (B) percent of budget SOURCE: MOF, MOE, IMF, World Bank INDICATOR DESCRIPTION: budgetary line items for (a) power sector and (b) coal sector COMMENTS: *Statutory/Actual Statutory refers to the figures that appear in the budget passed by the Rada, and actual refers to final, end-of-year expenditures.	YEAR	PLANNED	ACTUAL
	1996(B)	--	625/149* 4.4
	1997	600 /200 3.6	600/20 4.0
	1998	500 /250 3.6	
	1999	400	

	/300	2.5	
2000	/350	350	
	D	TB	

The indicator, measured by budget line items, is the statutory and actual subsidies for the power sector. The statutory amount for the power sector dropped \$25 million by law and increased by \$71 million in actual reimbursement amount, \$20 million above the target. Coal sector subsidies decreased from 4.4 % to 4.0%, short of the target of 3.6%. Subsidization of the industry persists because the industry has not yet succeeded in increasing cash collections and continues to operate on debt and barter transactions. Because of the parliamentary elections, political pressure is very strong to continue employment in the energy sector and subsidized service to citizens and social services, such as transportation and municipal water supply.

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.5 A more economically sustainable and environmentally sound energy sector			
INDICATOR: Reduced energy consumption per economic output to OECD level by 2015			
UNIT OF MEASURE: percent above OECD level SOURCE: project reports INDICATOR DESCRIPTION: reduction in energy intensity COMMENTS: *Estimated	YEAR	PLANNED	ACTUAL
	1995(B)	--	-30-
	1997	25	30*
	1998	18	
	1999	15	
	2000	15	

Energy efficiency did not change in 1997. Increasing debt, tax avoidance through barter arrangements, tax payment in the form of free energy to the government, political pressure to continue free service, legal impediments to cutting off service, and a lack of organization and diligence by distributing companies all contribute to continued inefficiencies. The Energy Sector law, enacted in November, requires all government units to include an energy cost line item in their budgets. This law disempowers local authorities to shut off power due to non-payment. Real change in efficiency, however, will not occur until cash collections rather than politics begin to drive sector decision making.

There are three problem areas at lower level IRs that help to explain the lack of movement at the SO level: (1) the inability of the NERC to establish cost-plus tariffs; (2) the current commercial non-viability of generating companies; and (3) current nonviability of local electric distribution companies. It is expected that the Financial Recovery Plan implementation will start resolving these issues, **the most basic being that revenues will begin to cover most costs.**

IR 1.5.1 Competitive, financially sustainable power delivery system

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.1: Competitive, financially sustainable power delivery system			
INDICATOR: Private investment in the power sector			
UNIT OF MEASURE: \$millions SOURCE: WB, Minenergo INDICATOR DESCRIPTION: new investment COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	200	200
	1998	500	
	1999	750	
	2000	800	

IR 1.5.1.1 Fully functional, independent National Electricity Regulatory Commission (NERC)

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.1.1: Fully functional, independent National Electricity Regulatory Commission (NERC)			
INDICATOR: Tariffs established and continued by NERC on a cost plus basis			
UNIT OF MEASURE: Yes/No SOURCE: NERC decrees, World Bank analysis INDICATOR DESCRIPTION: wholesale/retail competitive and cost plus prices COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	-No-
	1997	Yes	No
	1998	Yes	
	1999	Yes	
	2000	Yes	

Though NERC has raised rates eight times in the last two years, they are still not at cost plus rates. The reasons are due to political pressures and social considerations as explained above. The expectation is that rates will rise approximately 20 percent over a 9 month period.

IR 1.5.1.2 Commercially viable independent generating companies

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.1.2: Commercially viable independent generating companies			
INDICATOR: Increased repayment of all debt due GENCOs			
UNIT OF MEASURE: percent SOURCE: quarterly reports of GENCOs, LECs; World Bank experts INDICATOR DESCRIPTION: in cash COMMENTS: *1999 target revised downward from 100%	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	30	8
	1998	65	
	1999	75*	
	2000	80	

The barter economy, including the government energy-for-tax swaps, has contributed to an 8% cash repayment of debt rather than the 30% target. Only 8% of Energomarket payment is in cash.

Two government policies contribute to that fact: (1) GOU charges a 30% tax on energy generated, not on revenue from it, and allows payment in energy; and (2) GOU does not tax barter payments. While we expected NERC to issue about 90 licenses to enterprises in the electrical energy market, the actual figure is over 280. The majority of these are for traders who have figured out how to turn energy barter trading into cash. GENCO efficiency in production has improved from 11% below ideal to only 8% below ideal, but the GENCOs are not benefitting fully from the efficiency gains because of barter operations. The Financial Recovery Working Group recognizes those issues and will jointly address them in 1998.

IR 1.5.1.3 Commercially viable local electric supply companies

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.1.3: Commercially viable local electric supply companies			
INDICATOR: Increased revenue collection			
UNIT OF MEASURE: percent SOURCE: LEC reports, WB, Energomarket, NDC	YEAR	PLANNED	ACTUAL

INDICATOR DESCRIPTION: revenue collections as percent of total sales collected in cash COMMENTS: *1998 and 1999 targets revised downward from 50% and 80%, respectively.			
	1995(B)	--	- Negligible-
	1997	30	10
	1998	30*	
	1999	65*	
	2000	75	

The cash picture for the LECs is 10% collections compared to 8% for the GENCOs, but the target is 30% for both. The picture is somewhat better because, depending upon local politics, some LECs have cut power to customers. The proposed Financial Recovery Plan for the Power Sector of the GOU has tough provisions for retail tariffs and collections, including the cancellation of preferential electricity consumption tariffs based on occupation. Increased cash collection and non-interference of the GOU in formulation of market-based retail tariffs are two major conditions pending World Bank power sector loan disbursement.

IR 1.5.2 More stable fuel supply

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.2: More stable fuel supply			
INDICATOR: Adequate fuel reserves at primary power plants			
UNIT OF MEASURE: percent SOURCE: GENCOs, Minenergo data INDICATOR DESCRIPTION: average percent of 30 days supply at 14 primary power plants maintained (from quarterly readings) COMMENTS: *1998 target revised downward from 100%.	YEAR	PLANNED	ACTUAL
	1995(B)	--	-57-
	1997	100	65
	1998	80*	
	1999	100	
	2000	75	

The average 30-day reserves at the 14 primary power plants was up from 57% to 65% rather than the expected 100%. Fuel cost, especially imported fuel, has increased relative to energy prices and cash collections have lagged far behind prices, thus increasing the energy debt. Power plants are forced to divert funds from capital investment and maintenance to cover fuel costs. The proposed Financial Recovery Plan for the Power Sector of the GOU includes a provision that all generation companies apply all cash resources after tax and wages to cash fuel procurement.

IR 1.5.3: Environmental, economic and social consequences of Chornobyl accident reduced

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.3: Environmental, economic and social consequences of Chornobyl accident reduced			
INDICATOR: New development in Slavutych			
UNIT OF MEASURE: Action Plan to address the social impact of the closure of Chornobyl completed SOURCE: GOU INDICATOR DESCRIPTION: Action Plan published COMMENTS: *Reporting in future years will describe implementation activities related to the Action Plan	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	Yes	Yes
	1998	*	
	1999	*	
	2000	*	

USAID/Kyiv and EUTACIS funded studies and the Action Plan to Address the Social Impact of the Closure of Chornobyl. The Action Plan, published as a booklet (in Ukrainian and English) in November 1997, calls for new industry development and job creation to mitigate the social effects of the closure of Chornobyl. In addition, USAID has funded an Energy Efficiency Summit in Slavutych as a specific component of implementation of the Plan. We also continue to support the design of an ecologically sound sarcophagus, safety parameter display systems and increased nuclear power generation efficiency. We have also funded least cost studies that will influence EBRD decisions regarding new energy investments in Ukraine.

OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.5.3.2 Increased efficiency in energy consumption			
INDICATOR: Improved regulatory policy framework to increase investment			
UNITS OF MEASURE: Number of certificates issued SOURCE: project reports INDICATOR DESCRIPTION: COMMENTS: new indicators	YEAR	PLANNED	ACTUAL
	1997(B)	0	N/A

	1998	0	
	1999	10	
	2000	50	

The indicators above are new, designed specifically to provide quantitative evaluations of program impact and to reflect the need to respond to global climate change issues in Ukraine. The first indicator presents the immediate impact of increased use of cleaner, more efficient energy. Energy savings come from reducing transmission and distribution technical losses (as distinguished from pilferage losses), or from increasing technical efficiency of energy production and use through technological innovation or economic incentives for behavior changes.

At the policy level, USAID's Ukraine Council and Work Group Program to Promote Sustainable Development has established an Energy Efficiency Work Group. The Work Group is also recognized under the umbrella of the Gore/Kuchma Commission's Energy Committee. The Work Group identifies policy and legislative barriers to energy efficiency and drafts recommendations for reform. These recommendations are submitted through the Council to Ukraine's Cabinet of Ministers and to the Gore/Kuchma Commission. To date, four recommendations have been developed and submitted for consideration. They are: Voluntary Curtailment of Electricity Consumption; Law on Profit Tax; Standards and Certification Procedures; Economic Incentives for Energy Efficiency. Most recently, USAID hosted an international energy efficiency summit in Slavutych to explore investment opportunities and barriers in energy efficiency.

USAID has also supported 18 waste minimization/energy conservation projects at ten enterprises in the Donetsk and Dnipropetrovsk regions. To date project results include: \$3.4 million annual operational savings; 31.2 million cubic meters reduced annual usage of natural gas; prevention of 26 tons/year of carbon monoxide air emissions, and prevention of 12 tons/year of nitrogen oxide air emissions.

The USAID-funded Industrial Energy Efficiency project is designed to conduct energy audits and develop recommendations based on audit results followed up by deploying low-cost energy saving equipment and improving energy management at 24 selected sectoral enterprises in the metallurgical, chemical, food processing, building fabricating, and electronics producing industries.

Our second indicator is targeted to measure USAID's contribution to encouraging and facilitating meaningful participation by the country in the Framework Convention on Climate Change. This reflects institutional capacity to audit and certify greenhouse gas emissions reductions for trading carbon-offset certificates for industrial firms, municipalities or utilities.

2. Expected Progress Through FY 2000 and Management Actions

Progress for this SO is totally dependent upon the outcome of IMF and World Bank negotiations in the relevant sectors. For the energy sector, if the GOU, the World Bank and the IMF agree on the tenets of Ukraine's final version of its Action Plan for Financial Recovery of the Power Sector of Ukraine, USAID will continue work in the sector. If the GOU implements the plan, then USAID has a reasonably good chance of achieving targets. However, a change in government after the March elections may affect both the Action Plan and its implementation. If the Action Plan goes forward, USAID/Ukraine will adjust its program of technical assistance to support it directly. This action, given the assumption of implementation as stated above, will put us on track to achieve in 1998 the SO level targets for the energy sector set for 1997. We would expect to see a reduction in government budgetary subsidies and improved efficiency.

For the coal sector a similar situation exists with the World Bank and its sectoral structural loan. Progress on reduced subsidies and increased efficiency is contingent upon GOU actions in concert with World Bank requirements. If they move forward together, we expect to reach 1997 targets for the SO in 1998. We have set new targets for coal bed methane (CBM) for 1999. There has been sufficient progress with pre-feasibility and feasibility studies with our partners to justify investment in pilot projects. The International Coalbed Methane Group of Alabama, with a grant from the US Trade Development Agency, is undertaking a commercial feasibility study and plans to start a pilot project in the Donbass area with the Ministry of Coal. A second study conducted by a German group and backed by the Global Environmental Facility is being managed by the World Bank. We will continue work in the policy area to improve the CBM investment climate. The target is 190 million cubic meters of CBM in 1999.

Our effort to reduce the negative economic and social costs of closing the Chornobyl Nuclear Power Plant are contingent upon EBRD and GOU negotiations on loans to complete, to western standards, thermal plants to replace the capacity perceived to be lost by the shut down of Chornobyl. Specific economic benefits are nonetheless expected from on-going energy efficiency projects and programs. The Impact Program is designed to expand the Waste Minimization/Energy Conservation Program to as many enterprises as possible in Donetsk and Dnipropetrovsk. 19 companies have expressed interest in participating in the program. The establishment of eight private energy service companies (ESCOs) is envisaged within the Industrial Energy Efficiency Project, along with the activities related to energy auditing. This will increase Ukraine's institutional capacity in the field of private energy services. The Energy Efficiency Work Group will continue to develop recommendations for reform of policies and legislation that inhibit investments in energy efficiency.

Strategic Objective 1.6:
A more economically sustainable and environmentally sound energy sector

Objective Name	Rating	Evaluation findings
SO 1.5 Increased environmental management capacity to promote sustained economic growth	Met	N/A

This strategic objective covers a package of reform activities designed to demonstrate that sound environmental management enables and advances sustainable economic development. At present, Ukraine lacks the institutional capacity to develop and enforce realistic environmental regulations and adapt sound environmental management practices. There is an urgent need to address deficiencies in operations and management specifically related to costly and dangerous pollution problems through developing market-based incentives and training Ukrainian managers in their application.

An essential part of USAID's environment strategy is organizing, coordinating, and working through the Ukraine Council and Work Group Program to Promote Sustainable Development. The Council is a forum for identifying and addressing policy, legal, and regulatory barriers to environmental project implementation through working groups focused on specific sectors such as urban water, energy efficiency, or environmentally-sound business development. The international donors, Ministry officials, and local NGOs that participate in these groups identify impediments to environmental project implementation and prepare issue papers for review by the Council, which in turn sends forward to the Cabinet of Ministers and to the Kuchma/Gore Commission issues meriting national-level policy action. Through the Council, USAID seeks to ensure that gains made at the project level are supported by national-level policy change, and to ensure the most effective use of resources through close coordination with other international donors and local organizations engaged in environmental activities.

1. Performance Analysis

SO 1.6 Increased environmental management capacity to promote sustained economic growth

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 1.6 Increased environmental management capacity to promote sustained economic growth			
INDICATOR: Number of USAID-introduced pilot environmental management technologies/practices replicated with no (or reduced) no USAID funding			
UNIT OF MEASURE: number SOURCE: Project Reports INDICATOR DESCRIPTION: technology packages of demonstrated value to environmental management replicated by public or private sector without USAID funding COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	-9-
	1998	38	
	1999	50	
	2000	100	

This is a new SO indicator, concurrent with the introduction of the new SO 1.6. Therefore, there were no targets set for 1997. Nine examples of replications of USAID-introduced environmental technologies/practices are identified, plus five policy/legislative reforms that have been adopted. The technology replications occurred in industry, urban water, and agriculture activities. In industry, ten enterprises participated on a cost-share basis in pilot projects in waste minimization and energy conservation. In addition, a steel plant in Mariupol has replicated -- with no USAID funding -- our initial project to reduce emissions from its smelting operation and simultaneously reduce energy consumption. Another enterprise has adopted one of the ISO 14000 (international standards on sound environmental assessments and practices) management series standards, and two others are replicating low-cost pollution and energy monitoring practices. In urban water, at least two water utilities have adopted performance management initiatives to improve water supply services following USAID workshops -- again without USAID funding support. In agriculture, a state-of-the-art agrochemical storage facility is almost complete without USAID support, although some assistance may be required. We anticipate an increase in the replication process in 1998 as pilot programs move to the roll-out and impact stage. The five policy/legislative reforms that have been adopted are detailed below.

IR 1.6.1: National policies and plans integrate environmental, economic, and social goals

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.6.1 National policies and plans integrate environmental, economic and social goals			
INDICATOR: Environmental policies/laws integrated into national operational implementation plans and contracts			
UNIT OF MEASURE: number of policy reforms submitted/adopted SOURCE: Project Reports INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	3	10
	1998	TB D	
	1999	TB D	
	2000	TB D	

The target for the number of policies/legislative reforms submitted or adopted was three. The Ukraine Council and Work Group Program to Promote Sustainable Development submitted ten to Ukraine's Cabinet of Ministers and to the Gore/Kuchma Commission. Five recommended actions were adopted by the Cabinet of Ministers as reflected in the relevant Ukrainian policies/laws, and it is anticipated that the remaining five will also be adopted.

The Council continues to include high-level government officials, IFIs, UNDP, NGOs, other donor countries, and the private sector. The challenge is to ensure the sustainability of the Council's work with other donor support.

IR1.6.2: A safer and more economically & environmentally sustainable water structure

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.6.2 A safer and more economically and environmentally sustainable water structure			
INDICATOR: Increased capacity to provide access to water services			
UNIT OF MEASURE: % increase over prior year SOURCE: Project Reports INDICATOR DESCRIPTION: hours per day of service in pilot areas	YEAR	PLANNED	ACTUAL

COMMENTS:			
	1996(B)	--	0-3 hpd
	1997	50	400
	1998	50	
	1999	50	
	2000	50	

Phase I of the Lviv Pasichna vodokanal project achieved an increase of 400% in capacity to provide access to water affecting 35,000 residents. Service increased from a maximum three hours per day to a maximum of 12 hours per day. Phase II in 1998 should increase service capacity by at least ten additional hours and expand service to an additional 70,000 residents. Parallel with improved services are the introduction of management practices for consumption-based billing, cost recovery tariffs, and performance based water utility management that will increase sustainability of the service. The early success of the pilot bodes well for the 6-to-12-city roll out of the program planned for 1998 by the World Bank, USAID's partner in this activity.

The Lviv project has brought the number of people with potable water to 115,000 with the addition of 35,000 people, reaching the target. The 1998 target will almost be reached with the 70,000 customer expansion planned for Phase II. The 1999 target has been reduced from 500,000 to 300,000 because the World Bank has not yet decided upon the number or size of cities for the roll out program.

In addition to the Lviv project, USAID's modular water purification project is also increasing Ukraine's capacity to provide access to water services. This pilot project has designed, manufactured, and is now installing 42 water units in hospitals, kindergartens, and other facilities serving vulnerable populations in Ukraine. In addition, our Ukrainian partners have privatized the enterprise that manufactures the water units and is in the process of developing a business plan to support future sustainability.

IR1.6.3: A more environmentally sustainable and safer agriculture sector

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.6.3 A more environmentally sustainable and safer agriculture sector			
INDICATOR: Better management of agrochemicals			
UNIT OF MEASURE: number of sites SOURCE: Project Reports	YEAR	PLANNED	ACTUAL
INDICATOR DESCRIPTION: Pest and pesticide management project in			

place			
COMMENTS:	1995(B)	--	-0-
	1997	3	1
	1998	3	
	1999	3	
	2000	3	

Activities for this sector focus on pesticide management in three demonstration sites in three cities: Dnipropetrovsk, Odessa, and Lviv. The demonstration centers focus on training for the safe use, storage and transportation of agrochemicals. Further activities include working closely with the Commission on Registration to streamline the agrochemical registration process and make it transparent. This pilot technology package is measured by a proxy indicator, the number of pilot sites that meet Western standards for storage, registration and application. The Commission on Registration is a major customer for the effort and its replication of pilot technologies will be the true measure of impact (at the SO level.) The Crop Protection Association set up with USAID support by private sector suppliers of agrochemical products provides a vehicle for communication and collaboration with government entities responsible for legislation and regulation procedures on supply of agrochemicals.

IR1.6.4: A safer, more environmentally sound & efficient industrial sector

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.6.4 A safer, more environmentally sound and efficient industrial sector			
INDICATOR: Safer, more efficient production practices adopted by pilot project enterprises			
UNIT OF MEASURE: number of new practices adopted SOURCE: Project Reports INDICATOR DESCRIPTION: pilot plants using USAID-identified clean technologies COMMENTS: 1998 and 1999 targets reduced by 90%	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	20	19
	1998	50	
	1999	100	
	2000	TB	

	D	
--	---	--

These pilot technologies address waste minimization and energy conservation efforts in industry.

An investment of about \$177,000 across 10 enterprises in equipment to monitor energy consumption and waste discharge, has achieved estimated savings with an average payback period of about two months. Eighteen demonstration projects in two cities achieved estimated annual operating savings of \$3.4 million; a reduction of 31.2 million cubic meters in natural gas consumption; 530 tons/year of less ammonia waste; 26 tons/year less carbon monoxide, and 12 tons/year of reduced nitrogen oxide emissions. The indicator definition is the number of pilot plants using USAID-identified better environmental management practices; we are only one short of our target of 20. As market forces gain a foothold in industrial cost structures, we expect these technologies to find a market in industry without USAID subsidy. Because Ukraine's economy is not growing in the industrial sector as fast as expected, we have reduced future targets. Specific environmental requirements are included into Ukraine's Privatization Program, and this will expedite promotion of environmentally sound industrial management.

To promote environmentally sound small businesses, a USAID-funded team of engineers from the City University of New York and a recently privatized UKRORGVODBUD (an affiliate of the Ukraine State University of Architecture and Engineering) produced compact drinking water purification units designed to provide cost effective potable water. This local small business has manufactured 42 pilot units for installation in the Lviv and Kyiv Oblasts. A business plan will be completed in March 1998, and further assistance in FY 1998 will enable training in business management to advance the sustainability of the project. In addition, USAID has supported environmentally sound small business development in the Carpathian region -- specifically in the wood processing industry. Seven small businesses are reported to have introduced environmentally sound technologies or practices to improve performance.

IR 1.6.5 Adoption of international environmental agreements

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustained economic growth			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.6.5 Adoption of international environmental agreements			
INDICATOR: Adoption of ISO standards			
UNIT OF MEASURE: number of enterprises adopting ISO 14000 SOURCE: Project Reports INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	-0-
	1997	0	1
	1998	5	

	1999	10	
	2000	20	

Since one enterprise has adopted one of the ISO 14000 environmental management series standards, USAID is one year ahead of what was expected. In addition, Ukraine's Privatization Program has included environmental audits (as outlined in the ISO 14000 series) and has established an inter-ministerial committee to elaborate on the inclusion of environmental management into the Law on Privatization. USAID is participating in this committee through the Ukraine Council and Work Group Program to Promote Sustainable Development.

In addition, through the Work Group Program, USAID has established a Work Group on International Treaties, co-chaired by the Deputy Minister for Environmental Protection and Nuclear Safety. This Work Group is reviewing international agreements to determine barriers to implementation, with specific reference to global climate change.

The forests of Ukraine occupy almost 10 million hectares, 85% of which is considered commercial, and half of which are in the Carpathian region. Forestry management and wood industry practices are both inefficient and damaging to the environment. Sustainable forest management provides the means for productive capacity of natural resources which involve ecological, economic, social and political factors. USAID will support the GOU, to the extent possible, in: (i) developing national criteria and indicators of sustainable forest management and ensuring their application, (ii) proposing and promoting ratification of sustainable forest management and wood industry policies and practices, (iii) implementing and enforcing sustainable forest management and wood industry practices, (iv) promoting an ecosystem approach in forest planning process, (v) promoting the use of biomass as a secondary renewable source of energy, and (vi) introducing bio-products into the national and international market. This effort will supplement global climate change activities initiated under SO 1.5. In addition, Ukraine has agreed to participate -- in follow-up to the Kyoto Conference -- in discussions on the proposed "Umbrella Group" of countries to pilot an emissions trading program. USAID will support the GOU, to the extent possible, in the initiation of this program.

2. Expected Progress Through FY 2000 and Management Actions

USAID/Ukraine expects to see substantial impact at the SO level with a jump from 9 to over 35 replications in 1998 of environmentally-friendly and cost-effective technologies developed in the pilot projects. Increases in the out years are estimated conservatively to parallel the rate of growth of market forces in industry (in energy and utilities, especially.) The integration of environmental issues into national policies and implementation procedures we expect to level off at a constant of five per year. We changed the indicator for public and private participation in policy and law development to cases of public activism because issues about the environment have become a vehicle for public participation in the democratic process. (See SO 2.2)

National Policy/Legal Reform: To ensure, as far as possible, the sustainability of sector reforms and to enable the replicability of local projects designed to promote sustainable economic development, national policy and legal reforms are also required. Thus the program expects to continue the successful efforts of the Ukraine Council and Work Group Program to Promote Sustainable Development in identifying barriers to program implementation that cannot be addressed at the local level; developing proposed solutions to address those barriers; and communicating those proposed solutions to the Ukraine Cabinet of Ministers and to the Gore/Kuchma Commission.

Water infrastructure: Further roll-out of the water pilots is planned by the World Bank and we expect the number of people with potable water and improved service to exceed 300,000 by the year 2000. The program managed by our World Bank partner will include the supporting technologies developed in the USAID pilots: monitoring equipment, computer software for managing delivery, performance-based management practices, consumption-based billing, and trained technicians.

Agriculture: To improve the sustainability and safety of the agriculture sector, the program expects to continue to expand its training in risk assessment and alternative approaches to pest control; pesticide inventory; and safe use, storage and transportation of pesticides, through three training centers established with USAID's support.

Industry: The program expects to continue to roll-out the successful low-cost approach to waste minimization and energy efficiency, thus reducing the economic costs and risk to human health and the environment caused by hazardous waste, energy blackouts and brownouts, and excessive energy use.

Strategic Objective 2.1:
Increased better-informed citizens participation in
political and economic decision-making

Objective Name	Rating	Evaluation Findings
SO 2.1 Increased, better-informed citizens participation in political and economic decision-making	Met	

In a 1995 nationwide poll of Ukrainian citizens, 84 percent of the respondents said they did not belong to any non-governmental organization (NGO), association, or political party. In 1996 the number was 87 percent, and in 1997, 88 percent of Ukrainians said they were not members of an NGO. The same polls also demonstrate, however, that more Ukrainians felt informed about political developments in their country in 1997 than in 1996.

As reported in last year's R-4, the downward trend in NGO membership is not surprising for several reasons. For many Ukrainians, rather than gaining the right to associate freely, independence afforded them the freedom *not* to be associated with organizations, which -- at least in the past -- usually represented the interests of the ruling elite. But the continued downward trend is probably attributable mostly to worsening economic conditions. Few Ukrainians can afford the time or money necessary to be actively involved in NGO activities, and many may no longer see the benefits of being members of trade unions and professional associations when salaries are unpaid for months and social benefits are minimal.

Although people may feel more informed about the political process this year, most still believe they have no power to influence the political and economic decision-making process. Only when people begin to see clear examples of how an active civil society leads to positive changes are they likely to participate. It is necessary, therefore, to support active and informed civic and advocacy organizations and to publicize success stories of NGOs and civic-minded individuals affecting government policies and actions. It is equally important to ensure that citizens who elect to participate fully understand their rights and how those rights can be enforced.

1. Performance Analysis

SO 2.1: Increased, better-informed citizens participation in political and economic decision making

OBJECTIVE: SO 2.1 Increased better-informed citizens participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.1: Increased better-informed citizens participation in political and economic decision-making			
INDICATOR: Citizens understand the political process			
UNIT OF MEASURE: Percent great deal/a fair amount SOURCE: IFES INDICATOR DESCRIPTION: random sample question about information respondent has about political developments in Ukraine COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	-17-
	1997	40	24
	1998	24	
	1999	28	
	2000	30	
INDICATOR: Citizens participate in NGOs			
UNIT OF MEASURE: Percent SOURCE: USAID polling INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	-16-
	1997	19	12
	1998	22	
	1999	25	
	2000	25	

Progress for this SO is measured by two indicators: (1) **the percentage of citizens who understand the political process** and (2) **the number of citizens who participate in NGO activities**. Data on the number of citizens who participate in NGO activities show a decrease of five percent from 1995 to 1997. Although this result is less than expected (12 percent vs. a target

of 19 percent), educating people and building their confidence in the political and judicial system in upcoming years -- as set out in our intermediate results -- will form a solid foundation for greater citizen participation in civil society.

Progress as measured by the political process indicator is more conclusive. Our random sample shows that the percentage of citizens who confirm their understanding of the political process has increased from 17 percent to 24 percent (vs. a target of 20 percent), suggesting that this SO, on balance, has met expectations.

OBJECTIVE: SO 2.1 Increased better-informed citizens participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 1.2.1: Increased confidence in the political process			
INDICATOR: Citizens believe they could do something about an infringement of their rights by the government			
UNIT OF MEASURE: Percent Yes SOURCE: Democratic Initiatives poll INDICATOR DESCRIPTION: random sample question: if the government were to make a decision that infringes upon the interests of the people, could you do anything against such a decision? COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-6-
	1997	7	5
	1998	10	
	1999	15	
	2000	15	

Our first major IR (Increased Confidence in the Political Process) is measured by the **percentage of people who believe they could do something about an infringement of their rights by the government**. Even though there was no significant change from 1996 to 1997 for this indicator (a decrease of one percent), it must be noted that USAID programs have contributed to a number of actions taken by individuals and organizations that have in fact reversed infringement of their rights. As more of these cases occur and as more people become aware of them, it is expected that more people will believe that they can do something about infringement of their rights -- an attitude that will eventually result in more active participation in the political process by a larger segment of the population.

Activities supporting cases of individuals and organizations doing something about an infringement of their rights are the subject of IR 2.1.1.1 (Increased Perception that Citizens Rights Are Upheld), and the two IRs immediately below it.

OBJECTIVE: SO 2.1 Increased better-informed citizens participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.1.1.1: Increased perception that citizens rights are upheld			
INDICATOR: Citizens believe their rights are upheld			
UNIT OF MEASURE: Percent agree SOURCE: Democratic Initiatives poll	YEAR	PLANNED	ACTUAL

INDICATOR DESCRIPTION: random sample question: legal protections defending my rights and interests are sufficiently present in my life COMMENTS:			
	1996(B)	--	-7-
	1997	9	7
	1998	11	
	1999	15	
	2000	15	

Increased perception that citizens' rights are upheld is measured by the number of **People who believe that legal protection in defending their rights and interests is sufficient.** The 1996 baseline data for this indicator supports the strategic assumption that most citizens do not believe that their rights and interests can be adequately defended within the current political system. In a 1996 nationwide poll, only seven percent of Ukrainians said that legal protection in defending their rights and interests is sufficient. Although data for 1997 show that no major shift has occurred, it is expected that increased awareness of one's rights under the law (I.R. 2.1.1.1.2, below) and successful advocacy of citizens' rights (I.R. 2.1.1.1.1, bel) will eventually lead to an increase in the number of people who believe that citizens' rights are being upheld in general, and subsequently, in the number of people who have confidence in the political system.

OBJECTIVE: SO 2.1 Increased better-informed citizens' participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.1.1.1.1: Citizens and NGOs successfully advocate on behalf of citizen interests			
INDICATOR: Complaints resolved/successful consultation outcomes by NGO or citizen groups			
UNIT OF MEASURE: number SOURCE: ABA/CEELI (EPAC) INDICATOR DESCRIPTION: complaints resolved, court cases and consultations with successful outcomes by Ecopravos (3 cities: Kharkiv, Lviv, Kyiv) COMMENTS:	YEAR	PLANNED	ACTUAL
	1997(B)	--	-19-
	1998	38	
	1999	TB D	
	2000	TB D	

I.R. 2.1.1.1.1 measures successful advocacy of citizens' rights by citizens and NGOs. In the three target cities of Kyiv, Lviv, and Kharkiv, where USAID supports public advocacy NGOs, there have been cases where NGOs have contributed to successful advocacy of citizens rights. In some instances, consultations and legal information provided by the NGOs have led to citizens resolving a grievance with the government or obtaining a privilege guaranteed by law. In other instances, citizens won court cases, such as a farmer being compensated for contamination of his well-water, or suspension of the activities of an enterprise violating environmental laws or regulations. In total, there were 19 such successful consultations and court cases in 1997, the first year for which there is data.

Other activities also contribute to this I.R., including the establishment of a *pro bono* legal clinic at a major law school. Students get course credit and practical experience while providing free legal advice to pensioners and others who cannot afford legal counsel. This unique program has been applauded by both students and clients, and is being replicated at other major law schools. The Committee of Voters of Ukraine, an NGO supported by a USAID grantee, has successfully mobilized citizens in several cities to conduct lobbying campaigns that have resulted in the restoration of municipal services such as public transportation and hot water. Numerous USAID programs increase citizen awareness of rights through dissemination of information on the constitution and other legislation, and information demonstrating success stories about citizens who have benefited by using the legal system. For example, USAID supported the production of an informational TV program depicting a case in which a group of citizens, with the help of a USAID-supported legal advocacy NGO, used the court system and the media to force government officials to cease construction of a landfill that was in violation of environmental laws. Although the case may still be overturned on appeal, the NGO and the TV production company have already received numerous inquiries from citizens, teachers, and NGOs asking for more information about this inspirational example.

Following the adoption of the new constitution in 1996, USAID began to support efforts to educate the public about the Constitution. According to a July 1997 survey, 38% of Ukrainians had no information at all about their rights under the new constitution. In 1997, USAID activities supported public education efforts that included production and dissemination of teaching materials on the constitution for high schools and universities. These efforts are continuing into 1998 with production of an informational TV series, teacher training, and production of additional instructional materials.

Several other initiatives have been used to strengthen public confidence in the political process. These include initiatives to improve the legal framework for NGOs and support for NGO or citizen groups that attempt to influence the political process (I.R. 2.1.1.2). One example related to both I.Rs is USAID's support to a public interest NGO that has been influential in the drafting of a new law on NGOs that is expected to be considered by the next parliament.

OBJECTIVE: SO 2.1 Increased better-informed citizens participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv
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RESULT NAME: SO 2.1.1.3: Elections are free and fair			
INDICATOR: Rating of elections as free and fair by local and international monitons			
UNIT OF MEASURE: Yes/No SOURCE: International monitons and poll watchens INDICATOR DESCRIPTION: congruency check of poll count vs. official results, international moniton criteria COMMENTS: <hr/>	YEAR	PLANNED	ACTUAL
	1994(B)	--	Yes
	1997	N/ A	No elections
	1998	Yes	
	1999	Yes	
	2000	N/ A	

Another indicator contributing to our first IR is represented by **elections are free, fair and transparent** (I.R. 2.1.1.3). Since 1997 was not an election year, no data on this indicator could be secured. It is expected that the surveys planned for implementation following the March 1998 parliamentary elections and the 1999 presidential election will shed some light on the confidence of the Ukrainian population in the political process in their country.

USAID grantees provided advice and technical assistance to the drafters of the new parliamentary election law, which includes many improvements over the old law, such as removing the 50% minimum voter turnout requirement, guaranteeing the right of non-partisan NGOs to participate as election monitors, and allowing political party representatives to be members of polling commissions. These and other changes to the law were designed to increase voter confidence in the election process and reduce the opportunities for committing fraud. USAID grantees also worked with the Central Election Commission (CEC) to implement the new law and make other improvements to election administration designed to improve voter confidence. Many of these activities are being finalized in early 1998, and as such will be reported on in next year's R-4. Similarly, USAID grantees support efforts by partisan and non-partisan domestic election monitors, independent media, and watchdog NGOs to increase their effectiveness in promoting a transparent electoral process. Parliamentary elections take place March 29, 1998 and presidential elections are scheduled for October 1999.

A series of 27 radio interviews with government officials and party leaders was also broadcast by 21 radio stations in 15 regions throughout the country. Numerous other television and radio programs and informational campaigns are underway for the March 1998 elections.

OBJECTIVE: SO 2.1 Increased better-informed citizens participation in political and economic decision-making APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.1.2: More unbiased public information available to citizens			
INDICATOR: Exposure to non-government and politically unaffiliated news sources			
UNIT OF MEASURE: total hours per week SOURCE: Internews INDICATOR DESCRIPTION: increase in hours of independent TV programming; selected cities (58 of largest cities) COMMENTS: new indicator	YEAR	PLANNED	ACTUAL
	1997(B)	--	-179-
	1998	TB D	
	1999	TB D	
	2000	TB D	

Availability of unbiased public information to citizens is at the heart of our second major intermediate result (I.R. 2.1.2). To achieve this result, USAID-funded programs have provided extensive technical and material support to independent TV and radio stations throughout Ukraine since 1993. Broadcast and print journalists, technicians, editors and management have all received training as well as access to technical and informational resources that have allowed them to improve the quality and financial viability of their programs and publications.

It should be noted that the number of independent news programs being broadcast on the three nationwide channels decreased in early 1997 following a reorganization of state TV that drastically reduced the number of independent companies providing news for those channels. Furthermore, the trend toward greater press freedoms felt in 1994 and 1995 has clearly been reversed, as self-censorship increases, TV programs are taken off the air, newspapers are harassed and shut down, and journalists are beaten or killed. The negative trend is undoubtedly related to the approaching elections, but the overall situation has imposed greater limitations on our efforts to meet targets in this area.

Nonetheless, USAID's media assistance programs and other activities designed to increase government transparency and public awareness have helped compensate for that trend. For example, a new non-state network of regional TV stations began broadcasting in mid-1997, founded on the strength of the spinoff of a USAID media project. The International Media Center created under a grant to Internews became an independent company and attracted domestic and foreign investors to establish a network of regional stations reaching approximately 60% of the country. The standard-setting *Vikna* news program that lost its contract on the

second state channel in 1996 is now broadcast daily on this new network.

Although it is difficult to measure the quality of news programs, Ukrainians clearly are being presented with more than one point of view. This is all the more important because television is the primary source of information for most Ukrainians.

Greater availability of unbiased public information to citizens is reflected in citizens' greater exposure to non-government news sources. The number of informational TV programs (excluding daily news programs) being shown in 58 of Ukraine's largest cities increased from 80 in 1996 to 105 in 1997, representing a total of 179 hours of programming.

Internews-Ukraine is implementing a strategy to enhance public confidence in the political process through a series of radio and television interviews with government officials and party leaders that ~~would make those political figures more accessible to the average citizen~~. Internews-Ukraine is also adjusting its training and production strategy to incorporate the current need for a stronger focus on anti-corruption initiatives such as investigative journalism training and rule of law television and radio programming. These and other activities from SOs 2.2 and 2.3 contribute to IR 2.1.2.1, **Greater transparency in government decision-making**.

OBJECTIVE: SO 2.1 Increased better-informed citizens' participation in political and economic decision-making			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.1.2.3: Better independent news coverage			
INDICATOR: Increased independent news access			
UNIT OF MEASURE: number of cities SOURCE: Internews INDICATOR DESCRIPTION: 24 medium and large cities (over 300,000 population) with coverage of daily national news by non-government stations COMMENTS: targets revised upward due to better data collection	YEAR	PLANNED	ACTUAL
	1996(B)	--	-16-
	1997	19	19
	1998	23	
	1999	24	
	2000	24	

Better independent news coverage (IR 2.1.2.3) contributes to this SO by increasing the quality, quantity, and plurality of information available to citizens. In 1996, independent TV companies were operating in Ukraine's 24 largest municipalities (population of over 300,000), but daily, non-state news programs were being broadcast in only 16 of those cities. By the end of 1997, not

only had the number grown to 19 out of 24 cities, but the number of non-state TV stations airing daily news in those cities had increased from 36 to 47. In the 58 large cities in which Internews-Ukraine has provided training and support to independent TV stations, the number of stations producing daily news programs has increased from 43 in 1996 to 62 in 1997. In the past year, Internews-Ukraine produced more than 100 independent informational radio programs broadcast by 20 stations across Ukraine. Seventeen independent social and economic television programs were broadcast by more than 50 television stations. In Kiev, 11 news programs produced during training seminars were of such high quality that an independent cable TV company agreed to air the programs to its 350,000 households.

The impact of USAID training to provide more unbiased public information to citizens has been significant. Many of the trainees are now working in leadership positions within the media community. A large proportion (75 percent) of the trainees were promoted to positions with more responsibility and editorial control. About 20 percent of the trainees started new news programs at their stations. Others (80 percent) reorganized their newsrooms. Of this group, 80 percent received favorable media coverage about changes at their stations. A non-state newspaper in Chernivtsy (pop. 280,000) increased its subscriptions by more than ten percent after implementing editorial, management and advertising changes recommended by consultants from IREX ProMedia.

2. Expected Progress Through FY 2000 and Management Actions

USAID activities contributing to SO 2.1 through FY 2000 will take on added importance due to the parliamentary and presidential elections scheduled for 1998 and 1999, respectively. A better informed electorate and more transparent election procedures should enhance public confidence in the political process and increase citizens' demand for the accountability of elected officials.

Progress in these critical areas will be closely monitored during the upcoming March 1998 elections. These will offer an opportunity to detect positive changes in the public's response to government actions. Additional information gained during the elections will be instrumental in measuring progress for this SO with a higher degree of confidence. In particular, rating of elections as free and fair by local and international monitors (indicator for I.R. 2.1.1.3), an increase in the number of citizens who feel they have enough information to make an informed electoral choice (indicator for I.R. 2.1.1.3.1), an increase in the number of polling stations monitored by independent domestic monitors (indicator for I.R. 2.1.1.3.2), and the decrease in the percentage of Rada seats left vacant due to turnout requirements will combine to show that confidence in the political process is steadily improving (the subject of our first major IR).

The prospects for achieving our second major intermediate result are promising. It is expected that public education activities, continued support for the development of independent media and the continued success of public-advocacy NGOs will lead to increased public confidence and, thus, an increase in better-informed citizen participation in the political and economic decision-making process. Such activities are expected to produce an increase in citizens' understanding of their rights, an improved legal framework for NGOs and election administration, greater

transparency in government decision-making, and more news and informational programs free of political bias.

Strategic Objective 2.2:

Legal systems that better support democratic processes and market reforms

Objective Name	Rating	Evaluation findings
SO 2.2 Legal systems that better support democratic processes and market reforms	Met	

The adoption of the 1996 Constitution remains Ukraine's major legal reform achievement. The subsequent civil code, administrative structural reform, and administrative legal reform initiatives have yet to be adopted, in part due to the change of government last summer and increased attention of lawmakers to the March 1998 parliamentary elections. Reform legislation continued to be adopted, however, and progress was made in the drafting of key legislation. For example, a new election law was adopted and a draft civil code passed the first of three readings in parliament. If the structure of Parliament remains basically the same after the March elections, legislative reform should continue on track.

The new constitution also confirmed the judiciary's role as exclusive administrator of justice, although the courts still face significant obstacles to fulfilling that role. The courts complain of insufficient budget resources, and many judges do not have access to new laws and normative acts. Lack of qualified legal professionals, little public awareness of legal rights, and widespread corruption continue to contribute to low levels of citizen trust and involvement in the legal system. At the same time, however, the formation of the Constitutional Court, establishment of a permanent judicial training center, computerization of the courts including installation of legal databases, widespread dissemination of legal information, strengthened alternative dispute resolution vehicles, better educated legal professionals, law school reform, and increased legal advocacy on behalf of citizens all demonstrate progress in this SO. These and other examples attest to the potential for both court independence and greater citizen involvement in the legal process. Though the SO level indicator is one year behind schedule, overall expectations for the SO are being met.

1. Performance Analysis

SO 2.2 Legal systems that better support democratic processes and market reforms

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.2: Legal systems that better support democratic processes and market reforms			
INDICATOR: Administrative Law Code			
UNIT OF MEASURE: designed/drafted/adopted/implemented SOURCE: Official Gazette INDICATOR DESCRIPTION: New Administrative Legal Code COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	dra ted	design ed
	1998	ado pted	
	1999	imp lemented	
	2000	imp lemented	

Adoption and implementation of the **Administrative Law Code** is still a good indicator for achievement of the SO; however, the indicator may eventually be achieved as the result of the adoption of several pieces of administrative reform legislation instead of one code. Once passed, USAID/Ukraine will have to define implementation according to specific changes in behavior on the part of specific branches of government to monitor degrees of implementation necessary to support democratic process and a market economy. Administrative Law Reform should have broad-reaching effect on how citizens interact with the government, by increasing transparency of government operations and making public officials more accountable. In addition to improving the efficiency of government, reform in this area also addresses the problem of corruption by reducing redundant and non-transparent procedures that create opportunities for corruption within the government. In 1997, the Administrative Law Reform working group lost momentum when the Minister of Justice heading the group was replaced. With the continued assistance of USAID, the working group has made significant progress drafting administrative law reform legislation, although no drafts have yet been submitted to the parliament, which gave first priority to the Civil Code. (See I.R. 2.2.2 for descriptino of progress made on the Civil Code). The bottom line is: we are now where we expected to be a year ago and if the elections do not radically change the existing structure of Parliament and the government, we still expect the adoption of the

Administrative Law Code, or equivalent legislation, in 1998.

IR 2.2.1 Courts carry out their role as an independent branch of government

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.2.1: Courts carry out their role as an independent branch of government			
INDICATOR: Constitutional Court functioning independent of other branches of government			
UNIT OF MEASURE: Yes/No SOURCE: USAID INDICATOR DESCRIPTION: Constitutional Court issues opinions against executive or legislative branches on behalf of a citizen or NGO COMMENTS: indicator modified slightly	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	Yes	Yes
	1998	Yes	
	1999	Yes	
	2000	Yes	

Clarifying language was added to the definition of this indicator because most Constitutional Court cases resolve disputes between the executive and legislative branches, and as such are not good indicators of judicial independence from both of those branches. The new definition, therefore, captures the ability of the Court to act independently in cases between the government and citizens or NGOs. Although fewer than ten Constitutional Court decisions were handed down in 1997, two of them were decided in favor of citizens who had brought cases against government bodies. This target has therefore been met.

There have also been cases in the Arbitration Courts, including at least one brought by a USAID-funded NGO on behalf of a group of citizens and another brought by a foreign investor in Ukraine, in which judges have decided against government officials in favor of the private party. In the NGO case that was decided against a high-level, reform-minded government official who had failed to follow the letter of a law regarding public information, the official stated that he ...never used to have to pay attention to such laws. He nonetheless accepted the response from the NGO which brought the case against him: You will from now on.

Although these examples continue to demonstrate the ability of the courts to act independently, there continue to be examples of their inability to do so. One problem is that judicial independence is limited by Parliamentary and government control over court budgets and benefits for judges. The Arbitration Court, for example, has complained that funds are insufficient even to buy basic supplies. Another problem is that some officials still believe in the Soviet practice of

telephone law (calling judges to tell them how to decide a case). Significant press coverage was given to the remarks of the current Prime Minister when he told an audience that the government would cut the Arbitration Court's budget unless the courts gave the government the decisions it wanted. Future reporting on this indicator will attempt to measure the degree to which judges and the courts act independently.

IR 2.2.1.1: Increased capability of judges

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.2.1.1: Increased capability of judges			
INDICATOR: Access to current text of laws			
UNIT OF MEASURE: Number of courts SOURCE: USAID project reports INDICATOR DESCRIPTION: Oblast courts of general jurisdiction and arbitration courts with access to current text of laws COMMENTS: slight change in indicator	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	54	27
	1998	54	
	1999	54	
	2000	54	

The target for this indicator was changed because it miscalculated the number of oblast courts. The revised target of 54 represents the total number of general jurisdiction and arbitration oblast courts, (i.e., 27 of each). USAID procured computer networks for both court systems which will provide judges in Kiev and each oblast with access to computer data bases of current laws and normative acts. The network will also allow the main courts in Kiev to communicate with judges in the oblast level courts. Currently all 27 arbitration oblast courts have access to current text of laws and the computer network for the general courts is being installed. Anecdotal information indicates that local judges are lining up for access to the legal data bases rather than relying on incomplete collections of laws cut from the state newspapers in which they are promulgated.

IR 2.2.2 Constitution, Civil and Criminal Codes are harmonized to meet Western standards

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv
RESULT NAME: SO 2.2.2: Constitution, Civil and Criminal Codes are harmonized to meet Western standards

INDICATOR: TBD once the Civil Code is passed			
UNIT OF MEASURE: percent of TBD list corrected SOURCE: USAID project reports INDICATOR DESCRIPTION: inconsistent sections of Civil Code corrected. Sections TBD and listed when Civil Code is passed COMMENTS:	YEAR	PLANNED	ACTUAL
	1998(B)	--	-0-
	1999	TB D	
	2000	TB D	

After the constitution, the civil code is the next fundamental structural requirement for legal reform in Ukraine. The civil code will be the foundation of private law (distinguished from public law) and establish the basic rules of all civil relations, that is, all relations between persons, whether physical or legal. As such, it is the foundation of commercial law. The principles established by the civil code are paramount; other laws that conflict with it are invalid. As a result, the civil code may be more important for commercial law than even the Constitution, although the civil code goes well beyond commercial law, to include family law, the law of succession and human rights.

A modern civil code has been drafted and passed the first of three readings in parliament. USAID and other international donors have assisted the drafters by providing advice and other technical support. Once passed, USAID will review it for inconsistencies and create a list to be harmonized among the Constitution, Civil and Criminal Codes in order to better report on this indicator. The next critical step will be enactment of the code and then the education of the public and the judiciary of its import.

IR 2.2.3: Increased public awareness of laws and procedures

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.2.3: Increased public awareness of laws and procedures			
INDICATOR: Citizens aware of basic human and civil rights			
UNIT OF MEASURE: percent responding great deal/fair amount SOURCE: IFES INDICATOR DESCRIPTION: Random sample question: how much information do you have about your rights under the new Constitution of Ukraine? COMMENTS: change in indicator	YEAR	PLANNED	ACTUAL

	1997(B)	--	25
	1998	28	
	1999	31	
	2000	34	

The prior indicator was based on a poll of public familiarity with privatization laws. The polling mechanism proved unreliable as its purpose was to track privatization through its various stages. The poll changed each year and had no effective baseline or constant to measure a change in public awareness. By substituting the IFES poll, we assure an annual reading of the same indicator starting with 1997 as the baseline. Work through NGOs will affect this indicator. For example, following the adoption of the new constitution in 1996, USAID began to support efforts to educate the public about the constitution. According to a July 1997 survey, 38% of Ukrainians had no information at all about their rights under the new constitution. In 1997, USAID activities supported public education efforts that included production and dissemination of teaching materials on the constitution for high schools and universities. These efforts are continuing into 1998 with production of an informational TV series, teacher training, and production of additional instructional materials. Other ROL and media activities support this I.R. through information dissemination and citizen advocacy. Also a USAID program works through NGOs and the newly formed law student association to introduce new laws into the teaching curricula of the five major law schools as fast as the laws are passed. Those five schools account for 80% of the country's law students.

IR 2.2.4: Improved impartial application of laws

OBJECTIVE: SO 2.2 Legal systems that better support democratic processes and market reforms			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.2.4: Improved impartial application of laws			
INDICATOR: Criminal charges filed with respect to common theft and fraud			
UNIT OF MEASURE: ratio SOURCE: INDICATOR DESCRIPTION: increase in fraud charges related to crimes allegedly committed within Kyiv Oblast cf. theft charges COMMENTS: new indicator being developed; data not available for this indicator	YEAR	PLANNED	ACTUAL
	1995(B)	--	-N/A-
	1997	N/A	N/A
	1998	TB	

	D	
1999	TB D	
2000	TB D	

USAID/Ukraine is in the process of defining a new indicator because it was determined that the prior indicator has yet to define a satisfactory measure of this IR. We will develop a polling indicator and establish baselines in 1998 and report on this IR in 1999.

2. Expected Progress Through FY 2000 and Management Actions

USAID will assess the political structure of the legislative and the executive branches of government post elections and adjust our strategy accordingly, in cooperation with our World Bank partner. Until then we will continue to pursue the working group strategy, which is moving the Civil Code forward, to advancing the Administrative Law Code. Assuming a continuation of the present government structure, we expect the Code to pass in 1998. We will monitor funding for the Constitutional Court, define a threshold level to assure independence, and should funding approach this threshold, design an approach to the problem with our international donor partners.

We will continue to support the work of NGOs as both vehicles for public education on legal rights and as a source of test cases for application of the rule of law. We expect to see annual increases in the number of cases in which the Constitutional Court rules in favor of citizens or an NGO against the legislative or executive branches of government.

By 1999 all 27 oblasts will have access to current text of laws through parallel, computerized data bases in the courts of general jurisdiction and the arbitration courts. Once the Civil Code passes, we will identify the inconsistencies among the Constitution, Civil, and Criminal Codes, and create a list of key action items to be harmonized. Criteria for identification of action items will include those that are obstacles to democratic process and free market forces.

By April the SO 2.2 team will organize strategy planning sessions with contractors, NGOs and partners to create a monitoring system for improved impartial application of laws. Its purpose will be to track the effects of citizen participation in the legal system, citizen support for the courts as an independent branch of government, as well as improved impartial application of laws. This will be a major point of leverage against corruption and will take the cooperation of our Ukrainian and international partners to move forward.

Strategic Objective 2.3: More effective, responsive and accountable local government

Objective Name	Rating	Evaluation findings
SO 2.3 More effective, responsive and accountable local government	Met	N/A

Local government issues are at the forefront of Ukraine's political debates regarding decentralization and fiscal reform within the current unitary system of government. As Ukraine continues its democratic and economic transition, it is increasingly evident that local level action is essential if reforms are to succeed. However, many municipalities lack the skills and capacity needed to provide urban services efficiently. In addition, revenue shortfalls and inadequate fiscal autonomy are further complicated by unclear divisions of fiscal responsibility and systems of delegation between oblast and local level governments. The recently adopted Law on Local Self-Government increased local authority and stated that the rights of local government come from the citizens, and not the state. In reality, however, there are numerous national laws that must be passed and implemented to give local governments adequate tax and budget authority.

Despite these difficulties, there are signs that democratic local governance is beginning to play an important role. Mayors and local Rada members lobby the Parliament and exert what influence they can at the local level to effect some changes; the Ukrainian Association of Cities has grown in influence as its membership has expanded (from 79 in 1996 to 225 at present); local NGOs and community-based groups are beginning to exert influence over local public policy; and managers of communal enterprises, some with citizen input, are working to make their businesses more cost effective while improving service levels.

The Mission's support of local government reform also is growing, as evidenced by three ongoing projects which began the summer and fall of 1997 -- the three-year U.S.-Ukraine Community Partnerships for Training and Education, the expansion of the Urban Public Transportation Project (from three to nine cities) and the Effective Local Government Project (from three to six cities). Other Mission activities continue to indirectly support this Strategic Objective because they involve local governments and democratization. Examples of local government linkages to other project activities include USAID support to improve the financial viability and sustainability of vodokanals (water authorities), and efforts to institute and implement computerized land titling and registration as well as to adopt zoning regulations. To coordinate this assistance, the Mission has a USAID Community-Based Program Committee and a Municipal Development Working Group (with members of donor organizations in Kyiv), both of which meet regularly.

1. Performance Analysis

SO 2.3: More effective, responsive and accountable local government

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: SO 2.3: More effective, responsive and accountable local government			
INDICATOR: Number of cities with improved transportation			
UNIT OF MEASURE: cumulative number of cities improving transportation over baseline SOURCE: RTI INDICATOR DESCRIPTION: increase in revenue/collection and increase in size of operational fleet COMMENTS:	YEAR	PLANNED	ACTUAL
	1994(B)	--	-0-
	1997	5	10
	1998	10	
	1999	15	
	2000	15	

Because the effectiveness of government is measured against its responsiveness to the needs of the people, the principal indicator for the Strategic Objective was intended to be the percentage change in public opinion concerning local government. However, this data is not available. In the interim the Mission continues to use the proxy indicator, **number of cities with improved transportation**. Progress during this reporting period has exceeded expectations. Ten, twice the target of five, cities have improved their public transportation system, as discussed below.

In Ukraine, 80-90 percent of the population use public transportation. Electric trolley buses are the major form of urban transport in mid-size cities. The current operating fleets are typically at 50 to 60 percent of pre-independence levels and although fares have increased, service most often has worsened. The result is severe overcrowding, long waits, service breakdowns, restricted service, poor fare collection, public dissatisfaction and loss of confidence in government and in the reforms associated with independence. Beginning with the Municipal Finance and Management (MFM) Project in 1994, trolley bus enterprises are changing the way they do business: reducing operating costs, restructuring their fleets, increasing fare revenues, seeking outside capital and improving service. For instance, in the four cities where the Urban Public Transportation Project started work in 1997, the mean percentage increase in trolley bus fare revenue is 40%. Five additional cities have recently been added to this Project with the expectation that the total additional trolley buses in these nine cities will increase by 191 (22%). Some of these cities have already increased their operational fleet and are showing improvement in transportation services

which, in turn, result in a significantly improved public perception of local government.

IR 2.3.1 Improved Management

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 2.3.1: Improved management			
INDICATOR: New business investment			
UNIT OF MEASURE: number of registrations over baseline SOURCE: NEWBIZNET INDICATOR DESCRIPTION: increase in new business registrations (Lviv, Kharkiv, Odessa) COMMENTS: *target for 1997 measured cumulative number of business registrations, irrespective of baseline. This figure was exceeded -- nearly 16,000 new business registrations occurred in 1997. The 1997 actual and 1998-2000 targets are based on increases in registrations <i>over the baseline</i> .	YEAR	PLANNED	ACTUAL
	1996(B)	--	- 15,355-
	1997	4,000*	767
	1998	775	
	1999	793	
	2000	802	

The indicator **new business investment** reflects the effectiveness of local government operations and planning as a result of USAID technical assistance in three oblasts: Lviv, Kharkiv and Odessa. The encouragement of small and medium-sized enterprises is a vital part of a locality's economic development strategy. This year the unit of measurement was changed from the number of small business registrations to the increase in registrations over the baselines. Other than in the Lviv oblast, there has been an increase in small businesses registered during this reporting period. However, even with a decrease of registrations in Lviv, progress in the three oblasts (a total of 15,800 business registrations) exceeded the original estimate of 4000 new business registrations in 1997. It is anticipated that these oblasts will continue to see increases in the number of business registrations.

IR 2.3.1.2. Improved Financial Management

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 2.3.1.2: Improved financial management			
INDICATOR: Cities using financial analysis models			
UNIT OF MEASURE: percentage of cities in population range	YEAR	PLANNED	ACTUAL

SOURCE: Project Reports INDICATOR DESCRIPTION: USAID-recognized models, population range 50,000 to 1,000,000 COMMENTS: Indicator modified from previous R4			
	1995(B)	--	-0-
	1997	7	12
	1998	26	
	1999	35	
	2000	46	

As local governments become more autonomous, strategic budgeting and financial management at the local government level must be strengthened. **Adoption of a computerized Financial Analysis Model** enables a municipality to develop a more accurate picture of the sources and amounts of revenues and the areas of expenditures, resulting in improved capital and operating budgets. In addition, a local government is better able to prioritize needed projects over a multi-year period. As national tax and budget laws are passed and implemented in the next few years, the Model can be adjusted to accommodate these changes.

In terms of the percentage of cities (in the population range of the communities to which we provide technical assistance) that are using the Financial Analysis Model (FAM) , there was an addition of 5% over the target of 7% in 1997, which exceeded the Mission's expectations. This 12 % figure is expected to increase in future years, particularly in response to the roll out from regularly scheduled FAM training workshops.

IR 2.3.2. Increased Local Authority

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 2.3.2: Increased local authority			
INDICATOR: Key tax and budget laws which increase local autonomy are passed			
UNIT OF MEASURE: number passed by Rada SOURCE: Rada Gazette INDICATOR DESCRIPTION: laws on property taxes: real estate tax, local taxes and duties, budget system; and local budgets COMMENTS: One 1997 law has passed on first reading.	YEAR	PLANNED	ACTUAL
	1995(B)	--	-0-
	1997	1	1
	1998	3	

1999	5	
2000	5	

Given that the Law on Local Self Government passed in 1997, the focus has turned to the laws that must be passed to implement the provisions of this law and the Constitution. Key to increasing local governments' authority are powers related to budgets and taxes, such as providing for the financial independence of local budgets and the authority to institute local taxes and duties. The Mission's objective is to support appropriate enabling legislation.

Given this objective, this performance indicator has been broadened from tax laws to include **budget as well as tax legislation that increases local autonomy**. There are currently five key laws that will increase local governments' autonomy in the areas of taxes, local budgets and the budget system. ~~One of these, a draft law introducing a new~~ real estate tax, has received a first reading in the Parliament. This represents important progress toward the target of final passage of a major tax law. The passage of a strong real estate tax law is essential to provide a stable, predictable and dependable source of revenue for localities. The Mission anticipates the final passage of a real estate tax law and several other major tax and budget laws next year.

I.R. 2.3.3. Increased Citizen Participation

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv			
RESULT NAME: IR 2.3.3: Increased citizen participation			
INDICATOR: Cities with citizen participatory mechanisms (task forces, advisory boards)			
UNIT OF MEASURE: number of cities SOURCE: RTI INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	-1-
	1997	12	12
	1998	16	
	1999	25	
	2000	34	

The performance indicator of the number of **cities with citizen participatory mechanisms** (such as task forces and advisory boards) has been met. With the assistance of USAID contractors, such mechanisms now exist in these 12 targeted communities, and, given the importance of citizen participation at the local level, the expectation is that this number will increase in the future. However, the original caveat in this indicator dealing with the **drafting, supervision,**

implementation and updating of strategic plans was omitted after reaching consensus that the critical factor in this process was the development of citizen participatory mechanisms, not whether these groups worked with strategic plans per se.

IR 2.3.4. Greater Transparency of Government Operations

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Kyiv
RESULT NAME: IR 2.3.4: Greater transparency of government operations
INDICATOR: TBD

The original performance indicator for this IR was the number of cities with annual reports made available to the public. These reports were defined as public contracts, audits and financial reports. However, this indicator is almost identical to the indicator for IR 2.3.4.2 (**Increased Publications of Fiscal Activity**), the annual publication of budgets. After further research this year, it has been determined that key budget figures make up the most important and prominent part of the annual reports that are made available in local newspapers, particularly in the 24 oblast center cities. It was then determined appropriate to retain the indicator of the lower level IR as the **number of cities that annually published budget information**. For this reporting period, the target was exceeded -- 24 cities, relative to a target of nine (budget information is published on an annual basis in all oblast center cities). In future years, this number will continue to increase as more municipalities, particularly those receiving USAID technical assistance, become more transparent and keep the citizenry informed. Immediately following submission of this year's R4, the Mission will conclude its ongoing evaluation for a more appropriate performance indicator for the upper level IR 2.3.4.

2. Expected Progress Through FY 2000 and Management Actions

U.S. assistance for Ukraine's transition to democracy and a market-oriented economy on the local level began less than six years ago. The municipal level in Ukraine is at the heart of democratization and economic reform. Cities, towns, and villages are where people are the closest to government and where interaction between citizens and government is most vigorous. Much of USAID's work in democratization, housing, finance, privatization and private enterprise, environment, health and training has taken place in or has directly benefited cities and towns.

Mayors and other city officials face firsthand the consequences of failures in national policy and legislation. They are highly aware of the deteriorating state of local infrastructure, decline of public services and the desperate economic circumstances of many citizens. Increased focus on work at the local level is being driven also by the clear lack of sufficient progress by the central government to improve the daily lives of the majority of Ukrainians. Although much of the work on SO 2.3 is relatively recent, results are encouraging and suggest that focused and directed USAID assistance in municipal development (in FY 1998-2000) will benefit the lives of citizens

and positively affect public perception of democracy and economic reforms.

Illustrative areas of long term technical expertise required to achieve Ukraine's SO include: strategic management, budgeting and finance (operating and capital investments); economic development; fiscal reform; performance monitoring and management; information dissemination/public relations; municipal service delivery and financing; housing and land management and development; organizational development including customer service and citizen participation; and administration and training of Ukrainian associations. As a Municipal Development Strategy is written for 1998-2003 and improved IRs are developed to support SO 2.3, as discussed above, these areas in which technical assistance has proven effective will be incorporated.

The next two years of the U.S.-Ukraine Community Partnerships for Training and Education Program will link 12 more communities in Ukraine (for a total of 18) with 12 American communities to establish long-term technical assistance, education and training programs in public administration for Ukrainian local government representatives and employees. USAID's program will operate through four regional training centers in Ukraine that will provide local government training for partnered and non-partnered Ukrainian communities. In order to promote a cumulative impact, the assistance provided to each Ukrainian community will be focused on five substantive targeted areas: local budgeting, housing and communal services, transportation, economic development and citizen participation.

In addition, the Urban Public Transportation Program will continue in 1998 to provide both short and long-term technical assistance to improve enterprise finances and management, the effectiveness of city officials, and public transportation service.

The Effective Local Government Program in 1998 will also continue to focus on the diagnostic tools that assess the economic, financial, and organizational potential of Ukrainian cities; strategic plans and management that set priorities across sectors; information management systems; financial management including task and program based budgeting components, debt-carrying capacity; and demand analysis for municipal services and activities. In addition, there will be an increased focus on transparency and citizen participation.

Continued work with the Ukrainian Association of Cities will focus on improving its policy formulation and advocacy skills, as well as its communications network. In addition, its capability and capacity will be developed for the Association to create, disseminate and periodically update a Ukrainian Best Practices guide.

Finally, USAID assistance over the coming years will also be used to strengthen the institutional and management capacity of communities to prepare them for participating in World Bank-financed projects. For medium to large-sized cities, this technical assistance will include strategic and investment planning, preparation of investment proposals, budgeting and financial management, and contract management to take advantage of a Bank Municipal Development Loan Fund. In addition, USAID may assist in the project preparation and start-up phase of a

World Bank Social Investment Fund for smaller communities. USAID work with the Bank to date has resulted in a draft plan by the Bank to make available to Ukrainian cities assistance reaching into the millions of dollars.

Strategic Objective 3.2

Improved sustainability of social benefits and services

Objective Name	Rating	Evaluation findings
SO 3.2 Improved sustainability of social benefits and services	Met	N/A

During Ukraine's economic transition, its population has suffered great hardship. According to the GOU, 54% percent of the country's population lives below the poverty level. During the Soviet period, a wide array of social benefits and services were provided so that all citizens could live decently. These benefits ranged from subsidies for housing and transportation to monthly benefits for pensioners and families with children. At present, the GOU budget is not sufficient to continue to pay out these benefits. Some benefits are being paid late or at reduced levels, others not at all. Effectively, there is no social safety net to help the neediest Ukrainians. The GOU acknowledges that comprehensive social sector reform is needed, but lacks a coordinated strategy, political consensus and essential management tools to enact reform.

Ultimately, reform of the social service sector is needed to provide a sustainable social safety net, reduce the number of people in vulnerable populations, and increase support for economic transition. USAID has worked intensively with GOU counterparts for the past three years to design and implement a variety of needed social sector reforms. USAID has supported reform of the Ukrainian social service sector with a twin strategy: first, restructuring the social service sector to meet long-term needs of society, and second, meeting the immediate needs of vulnerable populations. This work involves restructuring the respective roles of government and private sector, including supporting and developing NGOs which already are serving vulnerable groups and will play a long-term role in a restructured social services sector.

During 1997, USAID continued its role as the major international donor assisting in the restructuring of Ukraine's social sector. The housing subsidy program has stabilized with 4 million families currently receiving subsidies and public support for the program increasing to 74%. Though the subject of targeting social programs to the needy remains controversial with some politicians, GOU support has grown considerably. The GOU issued a decree to begin targeting the family allowance program and USAID is actively assisting in this effort (in coordination with the EU). USAID continued to work with the Ministry of Health and local oblasts to implement needed health care reforms. Also, as official unemployment has risen to 7.6% and unofficial estimates to 30-40%, the need to assist displaced workers has grown. USAID and the EU are working to improve the unemployment assistance program to provide benefits to unemployed workers and train and place them in new jobs (the World Bank also has agreed to support this effort). Finally, there was much activity in pension reform. The World Bank dropped plans for a loan for comprehensive reform because the GOU would not agree to begin retirement age increases before the March elections. Though the GOU is not ready to undertake the most controversial aspects of reform, it has agreed to implement critical first steps,

such as individual recordkeeping of pension contributions and payments which will pave the way for broader reforms. In each of these areas, USAID provides technical assistance that is targeted to provide tangible results and support long term social sector and economic reform.

1. Performance Analysis

Objective: SO 3.2: Improved Sustainability of Social Benefits and Services

Objective: SO 3.2: Improved Sustainability of Social Benefits and Services. APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: SO 3.2: Improved sustainability of social benefits and services			
INDICATOR: GOU spending on social sector reduced.			
UNIT OF MEASURE: Percent of GDP. SOURCE: IMF INDICATOR DESCRIPTION: Consolidated GOU outlays for eight social service categories. COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	26.7
	1997	22.0	25.0
	1998	21.0	
	1999	20.0	
	2000	20.0	

The indicator chosen for this objective is the GOU's level of spending on social sector programs. In 1995, the GOU spent 26.7% of its budget on these programs, including health and education. In 1996, the amount dropped to 23.3%. However, social spending increased to 25% in 1997 largely because the GOU was determined to reduce its growing wage and pension arrears problem. Most donors are concerned about the way the social sector budget is allocated and continue to work on restructuring within individual social sector programs. The World Bank is conducting a functional and expenditure review of Ukraine's health and education sectors to determine if and where cuts remain to be made.

The ongoing challenge is to allocate spending in a more efficient way in order to provide greater assistance to those who need it. To date, the major restructured social program is the housing and communal services program, in which USAID plays a major role. In 1997, the GOU issued decrees to begin targeting of the family allowance program and to implement individual recordkeeping in the pension system which will be used to tie workers' benefits to their contributions.

In addition, USAID, and the EU have begun work with the Employment Service to restructure and improve the provision of benefits, job placement, and job training services to unemployed workers. With the number of unemployed workers continuing to rise, keeping workers out of poverty and getting them back into jobs is essential to economic reform. The World Bank has

agreed to support the USAID and EU work, and is dedicating part of a proposed \$200 million Community Development loan to employment generation activities tied to USAID/EU recommendations. All parties have agreed that even though job growth is limited at present, the employment system needs to encourage worker mobility, match skills to jobs, and have a system ready to place workers in jobs when the economic recovery begins.

IR 3.2.1: Increased Efficiency in Public Sector Delivery of Services.

Objective: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.1: Increased efficiency in public sector delivery of services.			
INDICATOR: Legislative reform.			
UNIT OF MEASURE: Yes/No SOURCE: Golos Ukrainy INDICATOR DESCRIPTION: fundamental law on social insurance enacted COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	No
	1997	draft law passed	passed, 1/98
	1998	draft law on pensions passed	
	1999	draft law on health & unemployment insurance passed	
	2000	implementation	

This IR involves the GOU's efforts to restructure itself to provide fewer services more efficiently. The key Ministry in this area is the Ministry of Labor and Social Policy, though other Ministries play roles. The Ministry continues to improve operation of the housing subsidy program and is implementing auditing systems and simplifying the calculation of subsidies. The Parliament finally agreed to a \$2.6 million World Bank loan to finish computerization of the program. USAID will provide support to install and train staff on the computers in 1998.

The indicator used to track progress under this IR is the enactment of the draft law on the legal foundations of social insurance. This law seeks to restructure the four major programs for social insurance: pensions, health, disability benefits, and unemployment assistance. It will significantly reduce the role of the key ministries in favor of a social partner structure, under which employers and employees primarily provide social benefits. The law was passed and signed by the President in January 1998. The challenge for 1998 will be to implement this law and to continue to develop specific laws needed to restructure the pension, health, disability, and unemployment systems.

IR 3.2.1.1: Financial obligations to the government met

Objective: SO 3.2: Improved Sustainability of Social Benefits and Services. APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.1.1: Financial obligations to the government are met (taxes)			
INDICATOR: Families in debt for housing and communal services			
UNIT OF MEASURE: Percent SOURCE: Golos Ukrainy INDICATOR DESCRIPTION: Arrears of 2+ months COMMENTS: 1998 and 1999 targets revised upward	YEAR	PLANNED	ACTUAL
	1995(B)	--	30.0
	1997	20.0	38.3
	1998	25.0	
	1999	20.0	
	2000	15.0	

A key measure of this IR is what percent of families pay their housing bills in full and on time. Both the Committee on Statistics and USAID's surveys track this information. In 1997, 62 percent of families were able to pay their housing bills within two months. This number has declined slightly each year. Though this result is troubling, given the continuing economic situation it is understandable. It is significant that almost two-thirds of Ukrainians pay their housing charges on time, because this has added over \$1 billion to the budget each year. USAID also is working to improve data collection, implement auditing, and encourage transparent budgeting to ensure that financial obligations are met.

IR 3.2.1.2: Policy, legal, regulatory framework for private and public sector roles defined

Objective: SO 3.2: Improved Sustainability of Social Benefits and Services. APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.1.2: Policy, legal and regulatory framework for private and public sector roles defined			
INDICATOR: Private pension fund regulatory framework established			
UNIT OF MEASURE: Proposed/drafted/passed/implemented SOURCE: Golos Ukrainy INDICATOR DESCRIPTION: Law on Private Pensions COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	N/A
	1997	Proposed	Proposed, 9/97
	1998	enacted	
	1999	implemented	
	2000	implemented	

Another key indicator, in addition to the draft law on legal foundations of social insurance, is the creation of a private pension regulatory framework. The GOU provides pensions to 29% of the population, making it the largest social sector program. Pensions are extremely low - on average approximately 40 percent below the GOU poverty level. Therefore, individuals also need to save for their retirement. Some private pension funds exist, but in the absence of a regulatory framework, they frequently have been financially risky and unstable. Only proper regulation can foster a stable supplemental private pension system. During 1997, a Presidential task force submitted two draft laws to Parliament, one on state pension insurance, and the other on private pensions. Numerous donors, including USAID, worked on these draft laws and all considered the private system law reasonable. The Parliament Committee on Social Policy and Labor has held two hearings on the bills. It is unclear how the new Parliament will view pension reform, but it is likely to remain a visible agenda issue.

IR 3.2.1.4: Improved targeting of benefits

OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.1.3: Improved targeting of benefits.			
INDICATOR: Cost recovery for housing and utilities.			
UNIT OF MEASURE: Percent of total cost. SOURCE: IMF INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1994(B)	--	4
	1997	100	80
	1998	100	
	1999	100	
	2000	100	

Targeting is a two-prong process: greater benefits for those who need them, and increased costs for those who can afford it. Under the Soviet system, all housing and communal service costs were subsidized and the average cost paid by citizens was four percent of actual costs. As part of economic and social reform, housing and communal service prices have risen from four percent to 40 percent to 60 percent to 80 percent in mid-1996. During 1997, the GOU repeatedly promised to increase charges to 100%, but ultimately postponed the increase indefinitely. Though the increase remains on the IMF's agenda, it has become a lesser priority. The increases to date have increased government's revenues by over \$1 billion a year, and Ukraine remains ahead of most of most other CEE and NIS countries in decontrolling housing and utility prices.

I.R. 3.2.2 NGOs and other private organizations provide needed services to vulnerable groups

OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.2: NGOs and other private organizations provide needed services to vulnerable groups			
INDICATOR: Seed grants to NGOs serving vulnerable groups			
UNIT OF MEASURE: number of grants SOURCE: CAP INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	0
	1997	30	34
	1998	60	
	1999	90	
	2000	120	

INDICATOR: Percent of NGOs whose primary mission is delivery of social services			
UNIT OF MEASURE: percent SOURCE: CCC INDICATOR DESCRIPTION: percent should not diminish COMMENTS: holding the sector steady is a measure of progress in an environment in which it is difficult to survive financially as an NGO.	YEAR	PLANNED	ACTUAL
	1996(B)	--	55
	1997	55	55
	1998	55	
	1999	55	
	2000	55	

Throughout the world, NGOs have played an important role in mending tattered social safety nets during and after periods of economic transition. Ukraine's emerging sector is rising to this challenge. USAID is working to help develop sustainable Ukrainian NGOs capable of providing social services to the most vulnerable Ukrainian citizens and advocating on behalf of citizens' interests. Counterpart is the lead group of a consortium including the Christian Children's Fund, Salvation Army, and Elwyn, each of which has expertise in targeting the most vulnerable segments of society -- children, the elderly and the disabled, respectively. Through the Counterpart program, USAID (1) provides seed grants on a competitive basis to selected NGOs; (2) provides training on techniques of NGO management to a broad group of NGOs; and (3) together with the other consortium partner the International Center for Not-for-Profit Law (ICNL), works with national and local level officials to improve the legal and regulatory environment for all NGOs.

Two indicators are designed to capture the extent to which NGOs provide needed social services. The first is a programmatic indicator showing the number of social service NGOs strengthened through a combination of grants and training. Counterpart and its partners were projected to have

provided 42 such organizations with this support. The actual number assisted for 1997 was 46, and is expected to grow to more than 80 by the end of the second year of the program. The second measure, which gives a sense of the social service NGO sector at large, is the overall percentage of NGOs whose mission is to provide social services. Data for this indicator is from an annual survey by the Counterpart Creative Center (CCC), an all-Ukrainian NGO. CCC estimates that 55 percent of the more than 2,000 registered NGOs in its database state providing social services is their primary mission. It is hoped that this figure will stay roughly unchanged over the next several years. Substantial numbers of social service NGOs have sprung up and gotten directly involved in delivering social services, and in some cases, these are the only source of help for the populations they serve. However, the economic climate in general, and the legal and regulatory environment specifically for NGOs endangers the survival of many of these organizations. More or less holding their own in terms of numbers is therefore a measure of progress in this regard.

I.R. 3.2.2.1: Improved infrastructure and management capacity

OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.2.1: Improved infrastructure and management capacity			
INDICATOR: NGOs have a strategic management plan			
UNIT OF MEASURE: percent of selected NGOs SOURCE: CAP INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	15
	1997	30	50
	1998	60	
	1999	100	
	2000	100	

INDICATOR: NGOs have financial control system in place			
UNIT OF MEASURE: percent of selected NGOs SOURCE: CAP INDICATOR DESCRIPTION: COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	15
	1997	30	47
	1998	60	
	1999	100	
	2000	100	

One of the signs of solid NGO management practice is a strategic management plan and strong

financial controls. Most NGOs, when asked, would say they have such systems in place. However, based on the site visits by trainers under the CAP program, it was found that despite affirmative answers, many managerial decisions and financial controls were implemented rather casually. Only 15 percent can be said to have a serious strategic plan, and less than 20 percent have an effective financial control system in place. Since special training sessions provided by CAP are devoted specifically to the topic of strategic planning, and since very strict financial controls are instituted as a condition of receiving grants, it is reasonable to expect these NGOs to show demonstrable improvements in these areas, with virtually 100% having both a strategic plan and financial control system in place by the end of the current program in March 1999.

I.R. 3.2.2.2 - Increased and diversified resource base

OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.2.2: Increased and diversified resource base			
INDICATOR: NGOs report an increase in non-USAID resources			
UNIT OF MEASURE: percent SOURCE: CAP INDICATOR DESCRIPTION: based on average score on a 4-point scale COMMENTS:	YEAR	PLANNED	ACTUAL
	1996(B)	--	19
	1997	30	37
	1998	60	
	1999	100	
	2000	100	

The percentage of selected NGOs reporting an increase in non-USAID resources refers to NGOs that are successfully able to attract additional resources *outside of* the CAP, CHAP, and Eurasia programs funded by USAID. These NGOs, which number about one-third of all grantees, are able to raise resources from within their community, which in turn makes them more self-sustainable. Sources could include businesses, local government, or volunteers. In fact, an exciting development is occurring under the CAP's Corporate Challenge Grant Program, a program in which NGOs find corporate sponsors and CAP matches their donations dollar-for-dollar up to a certain limit. Originally it was anticipated that this would be a top-down effort with western firms donating funds to Ukrainian NGOs on a demonstration basis that could then be held up as examples to Ukrainian firms. In fact, in a positive turn of events, the opposite is occurring. NGOs have sought out their own local corporate partners, and all but one of the first 10 corporate challenge grants are from Ukrainian firms. Similarly, at the grassroots level NGOs are reporting that local government -- far from being a hindrance -- is often a partner in solving social problems, contributing in-kind resources to NGOs such as office space, social and medical workers and other facilities.

I. R. 3.2.3. Reduced human suffering and negative consequences of crises

OBJECTIVE: SO 3.2: Improved Sustainability of Social Benefits and Services.			
APPROVED: June 1996 COUNTRY/ORGANIZATION: USAID/Ukraine			
RESULT NAME: IR 3.2.3: Reduced human suffering and negative consequences of crises			
INDICATOR: Humanitarian assistance is delivered to needy populations			
UNIT OF MEASURE: number of oblasts SOURCE: CHAP INDICATOR DESCRIPTION: oblasts in which indigenous NGOs receive major humanitarian assistance deliveries COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)	--	6
	1997	14	15
	1998	18	
	1999	22	
	2000	25	

USAID also has provided humanitarian assistance through government social service agencies and local non-governmental organizations (NGOs) to meet the immediate critical needs of Ukraine's most vulnerable citizens. Since 1994, USAID's Counterpart Humanitarian Assistance Program (CHAP) has provided approximately \$45 million worth of humanitarian aid to government social service institutions and local NGOs providing needed social services. From September 1996 through the end of 1997 alone, this program has provided approximately \$10 million worth of clothing, bedding, footwear, furniture and other humanitarian assistance to all 280 orphanages and boarding homes for the elderly and severely disabled under the Ministry of Labor and Social Policy. In addition to providing humanitarian support to government social service institutions, USAID provides humanitarian aid to the most needy through local social service NGOs. Since 1995, USAID has provided assistance to over 2 million needy Ukrainians distributed through over 300 local NGOs. Furthermore, USAID has become the primary contact for numerous U.S. SPVOs bringing in humanitarian aid with limited funding from various U.S. government agencies, including Department of State, Department of Defense, USAID/W as well as U.S. SPVOs with no USG funding.

Since September 1996 there was a shift away from distributing humanitarian assistance through NGOs. While working primarily through NGOs was the original intention, USAID responded to a special request from the Ministry of Social Protection to serve orphans and elderly housed in institutions operating under their auspices. In fact, by the end of 1997, deliveries were made to all of the Ministry's 280 boarding houses. Future deliveries for the program, while not excluding government institutions, will renew the focus on deliveries through NGOs and identifying strong NGO humanitarian assistance partners.

2. Expected Progress Through FY 2000 and Management Actions

Through FY 2000, USAID will support efforts to improve the sustainability of existing social benefit programs and to build a sustainable network of public and private Ukrainian institutions and NGOs. USAID will provide technical assistance in areas that are critical to social sector reform, to pair with other international donors, and to ensure that our work leads to tangible benefits for the Ukrainian people.

With respect to specific programs, USAID will reduce the level of assistance to the housing subsidy program. USAID will continue to monitor the program and make other improvements as necessary. The IMF and World Bank are working with the GOU to reduce the level of subsidies from amounts above 15% to 20% of income. Pending agreement to these levels, USAID will provide cost estimates and implementation assistance.

USAID will work with the GOU to begin targeting the family assistance program. Currently, there are 11 programs that provide untargeted family benefits. USAID and the EU are helping to combine these programs into one program to assist low income families with children. Similar to USAID's assistance with the housing subsidy program, this effort will provide greater benefits to needy families, and increase revenues to the government from families who do not need the subsidy.

In addition, USAID will provide needed pension reform technical assistance. USAID and the GOU have designed and tested the software and reporting systems to begin enterprise reporting on individual pension contributions. The GOU intends to implement this reporting in some oblasts in 1998. USAID and other donors also are working with the Pension, Employment, and other social insurance funds to integrate their information and collections systems. This will greatly reduce the burden on enterprises and improve program operations. These activities are necessary for any type of reform and will ease the way for the GOU to undertake broader pension reforms within the next few years. The World Bank is supportive of these efforts and will consider a small scale loan to support USAID's work.

USAID and the EU will work to restructure the Employment Service to improve the benefit and job assistance provided to unemployed workers, in conjunction with the World Bank. The Bank's Community Development loan will be used as a lever to ensure that the Employment Service provides meaningful unemployment benefits and job assistance to enable the unemployed to obtain the skills and find the jobs to support themselves and their families.

USAID will continue its health care financing and organization reform efforts. USAID has focused on three key reforms: 1) improved financial management, 2) hospital restructuring, and 3) expanded primary care availability. The health sector is a major part of Ukraine's economic system and USAID believes critical reforms can be made to improve the delivery of health care within existing fiscal constraints.

USAID will continue to work with the GOU on the design of a national social protection database and information system. This system will greatly improve the ability to determine population

needs and program success. The system is expected to be designed and tested in Mykolaiv oblast during 1998, and implemented nationwide during the next two years.

In the social service NGO sector, USAID will continue providing training and technical assistance to NGOs providing service to the most vulnerable Ukrainian citizens, particularly the elderly living alone, the disabled, and children. Because the program has shown early success in NGOs' ability to leverage both corporate and government resources, increased emphasis will be placed on encouraging NGOs to seek out community partners. This will lead to the long term sustainability of the sector.

Also, USAID will continue to work through the ICNL to encourage the GOU to adopt appropriate laws and regulations, including corresponding portions of the tax and civil codes for the NGO sector. One of the most important goals of this legislative work is to enable legitimate NGOs to receive tax-favored status on income earned to support their activities. This in turn will give not only social service NGOs, but all types of NGOs and civic organizations, a sustainable basis on which to carry out their important work. The NGO program will require USAID support through at least FY 1999, and serious consideration should be given to continuing the momentum of the program through FY 2000.

USAID will continue to work through CHAP to respond to disasters as instructed by the U.S. Ambassador, and to provide vital humanitarian aid to individuals, government institutions and NGOs. The challenge of this program in FY 1998 will be to target humanitarian aid most effectively to vulnerable Ukrainians through local social service NGOs and governmental social service institutions. USAID will continue to monitor the situation closely in order to determine the need for future support.

SAA4: Women's Reproductive Health Initiative

The Women's Reproductive Health Initiative (WRHI), which began in 1995, addresses reducing abortion and improving access to safe reproductive and maternal health services. Since 1995 the WRHI has developed model family planning and maternity care services in Odessa, Donetsk, and Lviv. These projects have been implemented to improve the quality and access of reproductive health services by increasing health provider knowledge of all contraceptive options, increasing the capacity of the Ukraine medical system to improve training in reproductive health issues, and to improve the policy environment through increased awareness of the economic and health benefits of women's reproductive health. In 1997 the WRHI has expanded services to four roll-out sites, one each in Crimea, Ivano-Frankivsk, Zhitomir and Kharkiv. Sustainable training in reproductive health care has been realized using trainers from the first three original sites.

Improvement in patient case and service provision can be seen in such activities as:

C Family Centered Maternity Care, which has improved the quality of care to pregnant

women by initiating rooming-in, breastfeeding, and allowing husbands in attendance during birth

- C Institutionalized training for physicians and training of trainers, which has resulted in approximately 1000 service providers having received family planning training
- C New initiatives in advocacy, which have begun to heighten the awareness of Ukraine's decision makers on how the areas of women's health impacts the overall health of the nation.
- C Service Delivery Guidelines for contraceptive use in Ukraine, which have been developed with the Ministry of Health and will be published and distributed in 1998 to establish family planning model sites, health institutions and health professionals. Approval has been given from the Ministry of Health for national distribution in 1999.

Indicators for this activity:

Because abortion rates vary across the country and statistics are unreliable, a reproductive health survey, implemented by The Centers for Disease Control is planned for Ukraine in 1998. Although abortion rates appear to be falling (there is fear that many abortions are not officially registered), there is a clear need for improved information and services to women, men and adolescents.

SAA 4: Eurasia Foundation

The Eurasia Foundation's grant program in Ukraine is quite extensive. The Foundation's seed grants reach a wide range of Ukrainian organizations working in such areas as economics education, grass roots democracy building initiatives, civic education, and initiatives raising public awareness about democratic principles and citizens' rights in free societies.

In 1997, the Foundation awarded more than \$2.2 million to more than 140 organizations. These included \$440,000 in grants for 27 initiatives supporting business development to groups such as a farmers' agricultural enterprise fund, the association of Realtors, a society of entrepreneurs, and small business training centers at several locations across the country. Grants totaling \$172,000 also were awarded to support independent media including a television news agency and several grants to individual journalists whose work highlights the accomplishments of NGOs. Among grantees in the general NGO category were NGO resource centers in Donetsk and Zaporizhia, the League of Crimean-Tatars Women, several environmental groups, and several groups carrying out activities on behalf of the disabled. Another 23 grants, totaling almost \$600,000, were awarded to NGOs and local municipal agencies carrying out innovative practices in local public administration.

In addition to Eurasia Foundation's substantial grant making program in Ukraine, the Foundation runs several special initiatives. These include the Byelorussian-Ukrainian Cooperation and Exchange Program which links individuals and organizations working for democratic and economic reforms in their respective countries; the Ukraine Municipal Development program which provides grants to projects developed by local governments, NGOs, and businesses in partnership; and the Ukraine NGO Public Awareness Program to promote coverage of NGO activities in the mass media and to train professional Public Information Officers to work in the NGO sector.

Among its other activities, the Foundation administers an economics education program at University of Kyiv-Mohyla Academy, a housing and municipal reform program which promotes condominiums and private maintenance, and a small business lending program through two local Ukrainian banks.

Eurasia Foundation grants complement USAID's other development programs in economic and political reform.

SAA4: Medical Partnerships

Ukraine has five existing partnership projects which encompass several areas; emergency medical services, infection control, women's wellness center, breast cancer, pulmonary treatments, surgical obstetrics, midwifery, cytology, neonatology, and x-ray. Approximately 1,080 health care professionals were trained in 1997 in various health areas.

Neonatal Resuscitation Centers are open in three sites, Lviv, Odessa and Kiev. Nursing education

centers are open in Lviv, Odessa and Kiev. Women's Wellness Centers are in the planning stage in those same cities.

Nursing leadership training was expanded with tutoring in both clinical nursing and the nursing process, as well as infection control practices in Kiev, Lviv and Odessa. A Ukrainian Nursing Association was created.

1998 Indicators:

- C Percent of population that has access to primary health care in partnership catchment areas.
- C Percent of health care workers in partnerships that receive training in critical service areas, such as infection control.

1998 Activities: The partnership program in Ukraine is expected to expand, linking various health organizations in the U.S. with their counterparts in Ukraine. The women's wellness centers will continue and expand in scope to include primary care models treating the entire family with an emphasis on prevention. Some existing family planning centers will become primary care centers under the partnership program. Issues to be addressed will be an effective programmatic mix of health promotion, education, HIV/STD, family planning, anti-violence and anti-smoking campaigns.

In the next year, the Donetsk Emergency Medical Training partnership will continue to train medical personnel in handling acute emergency care patients. Infection control partnerships will expand to incorporate other areas such as family planning and primary care clinics into their training curriculum.

Anticipated Results/Outcomes:

- C Development of health partnerships meeting the health needs of the community.
- C Increase in technical expertise and cross training with regard to preventive health measures.
- C Shift the delivery of health care from tertiary specialty hospitals to primary health care facilities to decrease the economic burden of health finance on society and to increase the quality and quantity of life of the Ukrainian population.

SAA 4: Breast Cancer

This activity seeks to improve breast cancer services such as screening, diagnosis, treatment/rehabilitation, cost-effectiveness, with special attention to women living in the Chernobyl area. This will be achieved through fostering the exchange of American professionals' knowledge and skills, enhancing the availability of essential equipment and supplies, increasing patient understanding and public awareness of breast cancer, strengthening the health infrastructure, and refining relevant policies and practice guidelines.

USAID expects the activity to encourage the Cabinet of Ministries of Ukraine to adopt the National Breast Cancer Program as one of the national health priorities. The project is primarily active in Kiev, Chernigov and Odessa oblasts. Approximately 140,000 women over the age of 40 who have been exposed to radiation may be considered for initial breast screening.

To date the project has:

- C Completed an intensive 2-week study tour in the U.S. for 6 leading Ukrainian oncologists.
- C Completed preparation to start the screening program in a radioactive contaminated region.
- C Developed a new curriculum on clinical breast examination. TOT seminars have trained 30 oncologists and primary care providers from three pilot sites, and 10 additional facilities from neighboring oblasts. In Zhitomir, one of the most radioactive contaminated oblasts, three courses on CBE were conducted within a month after its representatives participated in the TOT course in a pilot Chernigiv facility.
- C Developed a series of brochures for breast cancer patients.

Probable Impact indicators:

1. decrease in % of new cases with late stages at diagnosis (III, IV) after CBE training and a public awareness campaign complete
2. decrease in a rate of mortality less than a year after diagnosis
3. increase in the proportion of patients who know basic facts about breast self-care

SAA 4: Participant Training

The Global Training for Development (GTD) project is funded by USAID and administered by the Academy for Educational Development (AED). Previously known as the NIS Exchanges and Training (NET), The GTD project in Western NIS (Ukraine, Moldova, Belarus) continues to provide professionals and leaders with the practical knowledge and technical skills needed to create policies, programs and institutions which will support the transition to democratic governance and free market economies.

Participant Training Overall Accomplishments

Some of USAID's accomplishments to date are indicated below.

- C Since 1993, over 1,600 Ukrainian professionals have received training in the U.S. through tailor made courses under the NET and GTD Projects. As a result, the participants obtained professional skills needed to accomplish USAID strategic objectives.
- C In FY 1997, 319 Ukrainians attended in-country training activities which directly supported local technical assistance efforts and USAID strategic objectives for the region.
- C The percentage of women training participants surpassed the fifty percent target in 1997 (53.3%).

SAA4: Asset Restructuring and Divestiture

In 1998, USAID's involvement with the mass privatization process in Ukraine is coming to an end. By the end of 1997, the objectives and targets of the small-scale privatization were largely met. However, a few elements of privatization remain to be addressed, and the Mission will be looking at those which have a significant potential in terms of business development and, more broadly, are leading to the recovery and growth of Ukraine's economy. This will be achieved by helping Ukraine turn a vast universe of potentially attractive assets that are currently being used inefficiently into profitable businesses. The activity to be carried out under SO4.1 Asset Restructuring and Divestiture has emerged from the small-scale/ unfinished construction sites privatization project and is going to be a cross-cutting activity with SO1.3c, Small Business Development, as privatization of unfinished construction sites and commercial premises can generate a great number of start-up business. At the same time, it will cut across SO1.3b Post-Privatization/Enterprise Restructuring, as it will address social asset divestiture in the process of enterprise restructuring.

The indicator is the number of assets of all types to be privatized via the auction mechanism. USAID has been promoting the **auction model** as the most transparent and competitive form of privatization since 1993. Owing to this effort, in 1997 this method became the prevailing mode in small-scale privatization. In the meantime, over the last year, the range of objects to be divested through the mechanisms of small-scale privatization has expanded considerably and now, in addition to small businesses, it includes commercial premises, unfinished construction sites, social assets, hotels, and some others. The USAID-funded program is aiming at establishing a transparent and open sales process for all those types of assets.

Expected Progress Through FY 2000 and Management Actions

The Mission sees its objective for 1998-2000 in the further promotion of the **auction-based divestiture of state- and municipal-owned assets**. The activity will be targeted at unfinished construction sites and commercial premises as new business start-up opportunities, small businesses and social assets (health care, sports and recreation facilities, kindergartens, etc.) to be divested in the course of **enterprise restructuring**. A database of the universe still needs to be compiled, but, according to the current estimates, this activity will yield some 7,500 divested objects in 1998 and around 10,000 in 1999. The numerical targets for 2000 will be provided after 1998, following the survey and database completion. The grantee is also expected to look into the possibility of other potential objects to be divested using the auction sales, e.g., assets of liquidated and bankrupt companies. The bankruptcy mechanism still remains to be developed in Ukraine, currently enjoying very little support within the government.

SAA 4: Women in Development

The Women in Development Program facilitates interaction and collaboration among women's nongovernmental organizations to help build a civil society in Ukraine. Through a grant to Winrock to strengthen the Kiev chapter of the NIS-US Women's Consortium, USAID is helping

to increase Ukrainian women's participation and influence in economic and political life, and strengthen the long-term organizational capacity of women's NGOs and enterprises to participate equitably in the transition process.

Since 1996, some 1,400 women have been trained in leadership, entrepreneurship, women's human rights, advocacy, conflict resolution and fundraising. Seed grants totaling \$1,579 have been awarded to 60 grass roots women's organizations across Ukraine. Priority areas for the seed grants include supporting participation of women in politics and business, support to new women's NGOs and publications, and to combat domestic violence.

Other accomplishments include:

- C the efforts of women's groups in promoting interaction and coalition-building among nongovernmental organizations to help build a civil society in Ukraine.
- C The number of active women's NGOs has doubled since 1996.
- C Unbiased public information on human rights, legal defense, health, access to western scholarships and grants, and advocacy issues is being utilized by an increasingly wider network of Ukrainian women.
- C Three women's credit unions have been created which support rural women entrepreneurs and farmers.
- C Unemployed women, representing over 70 percent of Ukraine's officially registered unemployed workforce, are becoming small business owners, contributing to privatization of the Ukrainian economy.

A joint USG-EU initiative on trafficking is now in place, with pilot projects in Poland and Ukraine. An *Integrated Strategy to Address Trafficking of Ukrainian Women* was prepared in February, and describes how USAID in concert with other USG agencies will respond to this serious problem, which affects at least 50,000 Ukrainian women. USAID will oversee activities in preventing the problem of trafficking in women through providing economic opportunities and information/education campaigns, and assisting victims of trafficking through a variety of services. Activities began in February 1998. For the period of February through September, 1998, \$1.16 million is slated to address media campaigns, support a made-for-television docu-drama, and provide start-up funding for women's crisis and enterprise centers. An additional \$2.1 million would continue these efforts through March, 1999.

A Phase II WID program is currently under design which will:

- ! Continue seed grants for grass-root women's NGOs;
- ! Establish and monitor a revolving loan fund for first-time women entrepreneurs
- ! Continue to forge coalitions between women's NGOs for advocacy in both legal rights and the economic environment;
- ! Coordinate with other USAID-supported business and democracy and governance activities in the region to assure maximum reach of available resources while avoiding duplication;
- ! Provide additional direct/tailored technical assistance to women entrepreneurs;
- ! Train Ukrainian counterparts to run women's advocacy and business programs.

PART III: STATUS OF THE MANAGEMENT CONTRACT

I. Absence of Long-Term Planning

For the last year, USAID's program to Ukraine has undergone, and will continue in the foreseeable future to undergo, quarterly program reviews. The rationale for conducting the reviews is readily apparent: Ukraine has not made the deep commitment at top levels of government to implement significant reform and the USG is concerned whether our resources are well targeted to achieve results. There is confusion and even chaos in the Ukrainian Government over reform. Differing opinions on the direction the country should follow result in varied progress in reform among sectors.

The picture of where Ukraine is along the path of reform is a difficult one to paint. No one can argue with conviction that Ukraine is committed to fundamental change. However, as the preceding pages have described, there are many positive developments that are unfortunately being overshadowed by a lack of growth and a seemingly more hostile investment climate.

Though we agree with holding program reviews, the outcomes of the reviews (as well as the preparation for them) overwhelm our abilities to manage programs effectively. USAID's contractors and grantees operate with very little forward-funding obligated into their contracts and grants. We string them along from quarter to quarter with barely sufficient funding, which necessitates very tight management of the portfolio. Unfortunately, "hiccups" in the system (such as not receiving funding on time or contractual complications) do occur causing delays and even crises. It takes considerable time and effort to respond to and resolve these problems.

The point is the Mission's planning horizon has effectively been reduced to a three-month period. This exacerbates the workload of an already over-worked Mission, which both battles to keep programs going and scrambles to meet all reporting requirements. Although we're committed to achieving the results stated in this R4, quarterly planning makes it difficult to project results over a twelve-month period and beyond.

II. Certification

Our ability to achieve expected results in the next year and beyond is hampered by the certification issue. If Ukraine does not comply with the language in the FY 98 Appropriations Bill, the Mission's budget will be nearly halved. We have begun to plan for this contingency, which has caused us to slow down implementation of existing programs and defer new starts. If the Secretary of State makes the certification to Congress that Ukraine has complied with the conditions, we expect most of the second-half funds will only, at the soonest, become available very late in the fiscal year. We have taken this (i.e., late receipt of second-half funds) into consideration in planning our targets for FY 98, which have been slightly adjusted downward.

III. Partnership For Freedom

We have concern about the viability of moving ahead with endowments at this stage. We believe endowments are a useful tool, but it is premature to use them for the Ukraine program. (Arguably, we are still three years away or more from reaching that point). The target amount of \$16 million for endowments ties up a substantial amount of program resources; resources that are frequently reprogramed to respond to new funding requirements or strategic adjustments in the portfolio.

However, in accordance with the budget guidance we have programed \$16 million in endowments for the Ukraine program with three suggestions: (1) Eurasia is probably at the point of relying on an endowment to continue its programs, rather than relying on an annual USAID obligations. Therefore, we have proposed making an endowment to Eurasia. (2) Ukraine - Poland collaboration will continue to be a foreign policy (and developmental) priority. We propose exploring in detail the feasibility of endowing CASE of Poland with FSA funds (from the Ukraine budget) and SEED funds, perhaps using reflows from the U.S. - Poland Enterprise Fund. However, we have yet to discuss this very early proposal with the Bureau or USAID/Warsaw. (3) A third suggestion, is to provide an endowment to an organization working to promote NGO development in Ukraine.

RESOURCE REQUEST

UKRAINE

Budget Breakdown By Project -- FY 1998 - 2000
(Thousands of Dollars)

Project No.	Strategic Objective	PROJECT COMPONENTS	FY98 Actual	FY 99 Request	FY 00 Request
110-0001		<u>Special Initiatives</u>			
	3.1	1.1.0 EMERGENCY HUMANITARIAN ASSISTANCE	1,000	800	800
		1.4 Pharmaceuticals, Vaccines Supply			
		1.8 Humanitarian Transport (632a)			
	4.2	1.2.0 TECH SUPPORT / PROG DEV. SUPPORT	1,500	3,400	400
		PD&S		400	
		Ukraine-Poland Cooperation		3,000	
		Sub-Total	2,500	4,200	1,200
110-0002		<u>Energy</u>			
	1.5	2.1 Pricing and National Policy			
	1.5	2.2 District Heating & Energy Efficiency	300		
		2.2 Energy Efficiency (OER)			
		2.2 Energy Efficiency (ODST)			
	1.5	2.3 Energy Subsector Restructuring	7,000	6,000	4,875
		3.2 Privatization and Restructuring			
	4.1	2.4 Nuclear Safety (EBRD Part)			
	1.5	2.6 Program Design and Management	500	500	500
		Sub-Total	7,800	6,500	5,375
110-0003		<u>Environment</u>			
	1.6	3.1 Environmental Policy & Institution Building	500	100	100
		1.3 Credit Facility Environmental Activity			
		1.4 Tech Coop for Environmental Improvement			
	1.6	3.2 Health Risks	3,000	2,000	2,000
	1.6	3.3 Public Awareness & Environmental Accountability	300	300	300
	1.6	3.5 Natural Resource Management & Biodiversity	100		
	1.6	3.6 Program Design and Management	400	350	350
		Nuclear Contamination			

		Sub-Total	4,300	2,750	2,750
110-0004		Health Care			
	4.1	4.1 Medical Partnerships	2,050	10,000	10,000
	3.1	4.2 Vaccines & Pharmaceutical Security	500		
	3.1	4.3 Health Monitoring	300		
	3.2	4.4 Finance and Service Delivery Alternatives	1,500	1,500	1,500
	4.1	4.5 Women's Health/Family Planning	1,750		
	3.2	4.6 Program Design and Management:	500	500	500
		Sub-Total	6,600	12,000	12,000

Project No.	Strategic Objective	PROJECT COMPONENTS	FY98 Actual	FY 99 Request	FY 00 Request
110-0005		<u>Private Sector</u>			
	1.1	5.1. Privatization	1,000	0	0
	1.3	5.2. Land Markets	9,100		
		Land Markets - Urban Land		1,900	1,500
		Land Markets - Agricultural Land		4,500	2,500
	1.4	5.3 Capital Markets	8,320	4,000	3,000
	1.1	5.4 Public Education for Free Market	1,000		
	1.4			2,000	
	1.3	5.5 Post-Privatization Assistance to Enterprises	2,300	2,800	2,000
	1.3	5.6 Policy, Legal and Regulatory Reform	4,560	3,500	3,000
	1.3	5.7 Small and New Business	10,100	8,950	6,500
	1.3	5.9 Program Design and Management	1,225	1,225	1,225
		Sub-Total	37,605	28,875	19,725
110-0006		<u>Food Systems</u>			
	1.3	6.1 Storage System			
	1.3	6.2 Marketing Efficiency	650	1,400	1,500
	1.3	6.3 Agribusiness Partnerships	11,545	4,900	5,050
	1.3	6.5 Program Design and Management	450	450	450
		Sub-Total	12,645	6,750	7,000
110-0007		<u>Democratic Reform</u>			
	2.1	7.1 Political Process	2,700	2,400	1,850
	2.2	7.2 Rule of Law			
		2.1 Rule of Law	3,977	3,000	2,300
	2.3	7.3 Public Administration / Local Government	3,475	3,200	3,200
	2.1	7.4.1 Civil Society	1,325	1,200	1,200
	3.1	7.4.2 NGO/PVO Network	1,400	9,600	1,600
	2.1	7.5 Independent Media	2,023	1,800	2,000
	2.2	7.6 Program Design and Management	500	500	500
		Sub-Total	15,400	21,700	12,650
110-0008		<u>Housing</u>			
	1.1	8.1 Market-based Housing Sector	0	0	0
	1.1	8.3 Program Design and Management			
		Sub-Total	0	0	0
110-0009		<u>Economic Restructuring</u>			
	1.2	9.1 Fiscal Reform:			
		1.1 Fiscal Activities	6,000	3,500	3,500

		1.2 Treasury			
	1.4	9.2 Financial Sector Reform:	5,700	4,225	3,500
		2.1 Financial Sector TA/Monetary	[3500]		
		2.2 Financial Sector Training	[1700]		
		2.3 Financial/Monetary System (FSVC)	[500]		
		2.4 Ukraine Trade Credit (Ex-Im)			
		9.3 Market Environment			
	1.3	3.1 Market Environment (SO 1.3)			
	1.4	3.1 Market Environment (SO 1.4)	3,500	3,500	2,500
	3.2	3.1 Market Environment - Social Sector Restr.	3,200	2,500	2,200
		9.4 Program Design and Management	1,350	1,300	1,300
	1.2	9.4 Program Design and Management (SO 1.2)	1,100	1,100	1,100
	1.4	9.4 Program Design and Management (SO 1.4)			
	1.3	9.4 Program Design and Management (SO 1.3)			
		9.4 Program Design and Management (SO 3.2)	250	200	200
		Sub-Total	19,750	15,025	13,000

Project No.	Strategic Objective	PROJECT COMPONENTS	FY98 Actual	FY 99 Request	FY 00 Request
110-0010		<u>Eurasia Foundation</u>			
	4.2	10.0 Eurasia Foundation	4,000	5,000	5,000
	1.1	10 Eurasia- Housing Support	500		
	4.2			500	300
		Sub-Total	4,500	5,500	5,300
110-0011	1.3	11.1 W/NIS Enterprise Fund	14,500	15,000	15,000
		Sub-Total	14,500	15,000	15,000
110-0012		<u>Exchanges & Training</u>			
	4.2	12.1 Participant Training	1,400	1,200	
		Sub-Total	1,400	1,200	0
		All Project Total	127,000	119,500	94,000
		Performance Fund	6,140	16,000	20,000
		632(A) Transfers			
	4.1	Nuclear Safety(NRC & studies)	2,000	2,000	2,000
	4.1	Nuclear Safety (EBRD Part)			
	3.1	Humanitarian Transport	3,400	3,000	3,400
	4.1	Law Enforcement	4,000	8,000	6,000
	4.1	Direct Trade and Investment - Commerce			
	4.1	Training and Exchanges - USIA	12,100	14,000	14,000
	4.1	Volunteers - Peace Corps			
	4.1	Nuclear Safety - DOE	25,000	25,000	25,000
		Science Centers	6,000		
	4.1	GATT - Commerce	500	1,000	1,000
	4.1	Warsaw Initiative : State			
		Parking Fine Withholding			
		SABIT	1,000	1,000	1,000
		Justice	660		
		USDA Cochran Fellow	500		
		Envir. Activities - US EPA	500	1,000	1,000
		Treasury	2,900	3,000	3,000
		Defense Enterprise Fund			
		Chornobyl - DOE	30,000	30,000	30,000
	4.1	Joint Activities Support			

		TDA	3,000		
		NSF/CRDF	300		500
		Sub-Total	91,860	88,000	86,900
		Transfers to Other USAID Bureaus			
		Health Surveillance - CDC			
		Vaccine Monitoring TA			
		Chornobyl- Industrial Efficiency, Lviv			
	3.3	Pesticides - Global Bureau			
		Training (TESS)- Global Bureau			
		Sub-Total			
		Chernobyl Initiative			
		DOE Appropriation			
		COUNTRY TOTAL	225,000	223,500	200,900

UKRAINE - FY 1998 - FY 2000 Budget Summary Sheet

STRATEGIC ASSISTANCE AREAS

(Thousands of Dollars)

	FY98 Actual	FY 99 Request	FY 00 Request
STRATEGIC ASSISTANCE AREA 1: Economic Restructuring	89,350	72,200	60,450
STRATEGIC ASSISTANCE AREA 2: Democratic Transition	14,000	12,100	11,050
STRATEGIC ASSISTANCE AREA 3: Social Stabilization	12,950	15,100	6,800
ASSISTANCE AREA 4: USAID Special Init./Crosscutting Prog.	10,700	20,100	15,700
Performance/Management Fund	6,140	16,000	20,000
Partnership Fund			
SAA, GRAND TOTAL	133,140	135,500	114,000
Transfers/Allocations	91,860	88,000	86,900
Grand Total	225,000	223,500	200,900

STRATEGIC ASSISTANCE AREA 1: ECONOMIC RESTRUCTURING

Foster the emergence of a competitive market oriented economy in which the majority of economic resources is privately owned and managed.

STRATEGIC OBJECTIVE	FY98 Actual	FY 99 Request	FY 00 Request
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1.1 Increased Transfer of State-owned Assets to the Private Sector			
5.1 Privatization	1,000		
5.2 Land Markets	9,100		
5.4 Public Education for Free Market	1,000		
8.1 Market-based Housing Sector			
8.3 Program Design and Management			
10 Eurasia - Housing Support	500		
Sub-total, 1.1	11,600		

1.2 Increased Soundness of Fiscal Policies/Fiscal Management Practices			
9.1 Fiscal Reform	6,000	3,500	3,500
9.4 Program Design and Management	1,100	1,100	1,100
Sub-total, 1.2	7,100	4,600	4,600

1.3 Accelerated Development and Growth of Private Enterprises			
2.1 Pricing & National Policy			
5.2 Land Markets - Agriculture (FY 99-00)		4,500	2,500
5.2 Land Markets - Urban Land (FY 99-00)		1,900	1,500
5.5 Post-Privatization Assistance to Enterprises	2,300	2,800	2,000
5.6 Policy, Legal and Regulatory Reform	4,560	3,500	3,000
5.7 Small & New Business	10,100	8,950	6,500
5.9 Program Design and Management	1,225	1,225	1,225
6.1 Storage System			
6.2 Marketing Efficiency	650	1,400	1,500
6.3 Agribusiness Partnerships	11,545	4,900	5,050
6.5 Program Design & Management	450	450	450

9.3.1 Market Environment			
9.4 Program Design and Management			
11.1 Enterprise Funds	14,500	15,000	15,000
Sub-total, 1.3	45,330	44,625	38,725

1.4 A More Competitive and Market-responsive Private Financial Sector			
5.3 Capital Markets	8,320	4,000	3,000
5.4 Public Education for Free Market		2,000	
9.2 Financial Sector Reform	5,700	4,225	3,500
9.3.1 Market Environment	3,500	3,500	2,500
9.4 Program Design and Management			
Sub-total, 1.4	17,520	13,725	9,000

1.5 Economically Sound/Environmentally Sustainable Energy System			
2.2 District Heating & Energy Efficiency	300		
2.3 Energy Subsector Restructuring	7,000	6,000	4,875
2.6 Program Design and Management	500	500	500
Sub-total, 1.5	7,800	6,500	5,375

1.6 A More Economically Sustainable Environment Sector			
3.1 Environment Policy & Institution Building		100	100
3.2 Health Risks		2,000	2,000
3.3 Public Awareness & Environmental Accountability		300	300
3.5 Natural Resource Mgt. & Biodiversity			
3.6 Program Design & Management		350	350
Pesticides -Global Bureau			
Sub-total, 1.6		2,750	2,750

STRATEGIC AREA 1 TOTAL	89,350	72,200	60,450
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STRATEGIC ASSISTANCE AREA 2: DEMOCRATIC TRANSITION

Support the transition to transparent and accountable governance
and the empowerment of citizens through democratic political processes.

STRATEGIC OBJECTIVE	FY98 Actual	FY 99 Request	FY 00 Request
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2.1 Increased Citizens' Participation in Political/Economic Decision-making			
7.1 Political Process	2,700	2,400	1,850
7.4.1 Civil Society	1,325	1,200	1,200
7.5 Independent Media	2,023	1,800	2,000
Sub-total, 2.1	6,048	5,400	5,050

2.2. Legal Systems that Support Democratic Processes and Market Reforms			
7.2 Rule of Law	3,977	3,000	2,300
7.6 Program Design & Management	500	500	500
Sub-total, 2.2	4,477	3,500	2,800

2.3 More Effective, Responsible and Accountable Local Government			
7.3 Public Administration/ Local Government	3,475	3,200	3,200
Sub-total, 2.3	3,475	3,200	3,200

STRATEGIC AREA 2 TOTAL	14,000	12,100	11,050
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STRATEGIC ASSISTANCE AREA - 3: SOCIAL STABILIZATION

Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy.

STRATEGIC OBJECTIVE	FY98 Actual	FY 99 Request	FY 00 Request
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3.1 Reduced Human Suffering and Crisis Impact			
1.1 Emergency Humanitarian Assistance	1,000		
7.4.2 PVO/NGO Network	1,400		
4.2 Vaccine & Pharmaceutical Security	500		
Global Transfer Health Surveillance - CDC			
4.3 Health Monitoring	300		
Sub-total, 3.1	3,200	0	0

3.2 Improved Sustainability of Social Benefits and Services			
4.4 Finance and Service Delivery Alternatives	1,500	1,500	1,500
4.6 Project Design and Management	500	500	500
9.3.1 Market Environment - Social Sector Restr.	3,200	2,500	2,200
9.4 PD&M (ODST)	250	200	200
1.1 Emergency Humanitarian Assistance		800	800
7.4.2 PVO/NGO Network		9,600	1,600
4.2 Vaccine & Pharmaceutical Security			
4.3 Health Monitoring			
Sub-total, 3.2	5,450	15,100	6,800

3.3 Reduced Environmental Risks to Public Health			
3.1 Environment Policy & Institution Building	500		
3.2 Health Risks	3,000		
3.3 Public Awareness & Environmental Accountability	300		
3.5 Natural Resource Mgt. & Biodiversity	100		
3.6 Program Design & Management	400		
Pesticides -Global Bureau			
Sub-total, 3.3	4,300	0	0

STRATEGIC AREA - 3: TOTAL	12,950	15,100	6,800
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STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS/SPECIAL INITIATIVES

STRATEGIC OBJECTIVE	FY98 Actual	FY 99 Request	FY 00 Request
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4.1 Special Initiatives			
2.4 Nuclear Power Safety (EBRD)			
4.1 Medical Partnerships	2,050	10,000	10,000
4.5 Women's Health / Family Planning	1,750		
Sub-Total USAID	3,800	10,000	10,000
SABIT	1,000	1,000	1,000
632 Transfer: Peace Corps			
632: Transfer: Humanitarian Transport	3,400	3,000	3,400
632 Transfer: Commerce			
632 Transfer: USIA Training & Exchanges	12,100	14,000	14,000
632 Transfer: Law Enforcement	4,000	8,000	6,000
Defense Enterprise Fund			
632 Transfer: Nuclear Safety (DOE)	25,000	25,000	25,000
Science Centers	6,000		
GATT - Commerce	500	1,000	1,000
632 Transfer: Nuclear Safety (NRC & studies)	2,000	2,000	2,000
Justice	660		
USDA - Cochran Fellow	500		
Treasury	2,900	3,000	3,000
Joint Activities Support			
Envir. Activities - US EPA	500	1,000	1,000
TDA	3,000		
NSF/CRDF	300		500

Chornobyl Initiative	30,000	30,000	30,000
Parking Fines			
Sub-Total Transfers	91,860	88,000	86,900
Sub-total, 4.1	95,660	98,000	96,900

4.2 Crosscutting Programs			
12.1 Participant Training	1,400	1,200	
10.0 Eurasia Foundation	4,000	5,000	5,000
10 Eurasia- Housing Support		500	300
1.2.2 Tech. Support & PD&S	1,500	3,400	400
Sub-total, 4.2	6,900	10,100	5,700

ASSISTANCE AREA - 4: AID TOTAL	10,700	20,100	15,700
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Country/Program: **Ukraine**

S.O. # , Title			Est. SO	FY 1998 Request									Est Expend. FY 98	Est Total cost life of SO	Mortgage at end of 1998		
	Approp Acct	Bilateral/ Field Spt	at end of FY 97	FY 1998 Total Request	Basic Education for Chldrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G					
SO 1.1 Increased Transfer of State-owned Assets to the Private Sector																	
	NI	Bilateral Field Spt	7,645	11,600	0	0	0	0	0	0	0	0	8,818				
		Total	7,645	11,600	0	0	0	0	0	0	0	0	8,818	45,452	0		
SO 1.2 Increased Soundness of Fiscal Policies/ Fiscal Management Practices																	
	NI	Bilateral Field Spt	3,281	7,100	0	0	0	0	0	0	0	0	4,209				
		Total	3,281	7,100	0	0	0	0	0	0	0	0	4,209	40,000	25,390		
SO 1.3 Accelerated Development and Growth of Private Enterprises																	
	NI	Bilateral Field Spt	27,413	45,330	0	0	0	0	0	0	0	0	32,367				
		Total	27,413	45,330	0	0	0	0	0	0	0	0	32,367	270,000	152,450		
SO 1.4 A More Competitive and Market- responsive Private Financial Sector																	
	NI	Bilateral Field Spt	14,141	17,520	0	0	0	0	0	0	0	0	15,524				
		Total	14,141	17,520	0	0	0	0	0	0	0	0	15,524	85,000	34,531		
SO 1.5 Economically Sound/ Environmentally Sustainable Energy System																	
	NI	Bilateral Field Spt	17,832	7,800	0	0	0	0	0	0	0	0	16,717				
		Total	17,832	7,800	0	0	0	0	0	0	0	0	16,717	70,000	34,500		
SO 2.1 Increased Citizens' Participation in Political/ Economic Decision- making																	
	NI	Bilateral Field Spt	3,435	6,048	0	0	0	0	0	0	0	0	4,129				
		Total	3,435	6,048	0	0	0	0	0	0	0	0	4,129	43,000	25,862		
SO 2.2 Legal Systems that Support Democratic Processes and Market Reforms																	
	NI	Bilateral Field Spt	4,798	4,477	0	0	0	0	0	0	0	0	4,973				
		Total	4,798	4,477	0	0	0	0	0	0	0	0	4,973	43,000	24,063		
SO 2.3 More Effective, Responsible and Accountable Local Government																	
	NI	Bilateral Field Spt	2,000	3,475	0	0	0	0	0	0	0	0	2,395				
		Total	2,000	3,475	0	0	0	0	0	0	0	0	2,395	36,000	26,975		
SO 3.1 Reduced Human Suffering and Crisis Impact																	
	NI	Bilateral Field Spt	7,216	3,200									6,774				
		Total	7,216	3,200	0	0	0	0	0	0	0	0	6,774	12,750	0		
SO 3.2 Improved Sustainability of Social Benefits and Services																	
	NI	Bilateral Field Spt	3,355	5,450									3,942				
		Total	3,355	5,450	0	0	0	0	0	0	0	0	3,942	50,000	32,367		
SO 3.3 Reduced Environmental Risks to Public Health																	
	NI	Bilateral Field Spt	10,004	4,300									9,364				
		Total	10,004	4,300	0	0	0	0	0	0	0	0	9,364	15,400	0		
SO 4.1 Special Initiatives / Cross-cutting Programs																	
	NI	Bilateral Field Spt	9,848	10,700									10,511				
		Total	9,848	10,700	0	0	0	0	0	0	0	0	10,511	67,000	12,824		
Total Bilateral				127,000	0	0	0	0	0	0	0	0	119,722	0	0		
Total Field Support				0	0	0	0	0	0	0	0	0	0	0	0		
TOTAL PROGRAM			110,968	127,000	0	0	0	0	0	0	0	0	119,722	777,602	368,962		

Country/Program:

Ukraine

S.O. # , Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 98	FY 1999 Request									Est Expend. FY 99	Est Total cost life of SO	Mortgage at end of 1999
				FY 1999 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G			
SO 1.1 Increased Transfer of State-owned Assets to the Private Sector															
	NI	Bilateral	10,427	0	0	0	0	0	0	0	0	0	10,427		0
		Field Spt			0	0	0	0	0	0	0	0			
	Total		10,427	0	0	0	0	0	0	0	0	0	10,427	45,452	0
SO 1.2 Increased Soundness of Fiscal Policies/ Fiscal Management Practices															
	NI	Bilateral	6,172	4,600	0	0	0	0	0	0	0	0	5,779		20,790
		Field Spt			0	0	0	0	0	0	0	0			
	Total		6,172	4,600	0	0	0	0	0	0	0	0	5,779	40,000	20,790
SO 1.3 Accelerated Development and Growth of Private Enterprises															
	NI	Bilateral	40,376	44,625	0	0	0	0	0	0	0	0	41,438		107,825
		Field Spt			0	0	0	0	0	0	0	0			
	Total		40,376	44,625	0	0	0	0	0	0	0	0	41,438	270,000	107,825
SO 1.4 A More Competitive and Market- responsive Private Financial Sector															
	NI	Bilateral	16,137	13,725	0	0	0	0	0	0	0	0	15,534		20,806
		Field Spt			0	0	0	0	0	0	0	0			
	Total		16,137	13,725	0	0	0	0	0	0	0	0	15,534	85,000	20,806
SO 1.5 Economically Sound/ Environmentally Sustainable Energy System															
	NI	Bilateral	8,915	6,500	0	0	0	0	0	0	0	0	8,311		28,000
		Field Spt			0	0	0	0	0	0	0	0			
	Total		8,915	6,500	0	0	0	0	0	0	0	0	8,311	70,000	28,000
SO 1.6 A More Economically Sustainable Environment Sector															
	NI	Bilateral	0	2,750	0	0	0	0	0	0	0	0	688		17,250
		Field Spt			0	0	0	0	0	0	0	0			
	Total		0	2,750	0	0	0	0	0	0	0	0	688	20,000	17,250
SO 2.1 Increased Citizens' Participation in Political/ Economic Decision- making															
	NI	Bilateral	5,354	5,400	0	0	0	0	0	0	0	0	5,365		20,462
		Field Spt			0	0	0	0	0	0	0	0			
	Total		5,354	5,400	0	0	0	0	0	0	0	0	5,365	43,000	20,462
SO 2.2 Legal Systems that Support Democratic Processes and Market Reforms															
	NI	Bilateral	4,301	3,500	0	0	0	0	0	0	0	0	4,101		20,563
		Field Spt			0	0	0	0	0	0	0	0			
	Total		4,301	3,500	0	0	0	0	0	0	0	0	4,101	43,000	20,563
SO 2.3 More Effective, Responsible and Accountable Local Government															
	NI	Bilateral	3,080	3,200	0	0	0	0	0	0	0	0	3,110		23,775
		Field Spt			0	0	0	0	0	0	0	0			
	Total		3,080	3,200	0	0	0	0	0	0	0	0	3,110	36,000	23,775
SO 3.1 Reduced Human Suffering and Crisis Impact															
	NI	Bilateral	3,642	0									3,642		0
		Field Spt													
	Total		3,642	0	0	0	0	0	0	0	0	0	3,642	12,750	0
SO 3.2 Improved Sustainability of Social Benefits and Services															
	NI	Bilateral	4,863	15,100									7,422		17,267
		Field Spt													
	Total		4,863	15,100	0	0	0	0	0	0	0	0	7,422	50,000	17,267
SO 3.3 Reduced Environmental Risks to Public Health															
	NI	Bilateral	4,941	0									0		0
		Field Spt													
	Total		4,941	0	0	0	0	0	0	0	0	0	0	15,400	0
SO 4.1 Special Initiatives / Cross-cutting Programs															
	NI	Bilateral	10,037	20,100									12,553		(7,276)
		Field Spt													
	Total		10,037	20,100	0	0	0	0	0	0	0	0	12,553	67,000	(7,276)
Total Bilateral															
					0	0	0	0	0	0	0	0		0	
Total Field Support					0	0	0	0	0	0	0	0		0	
TOTAL PROGRAM			118,245	119,500	0	0	0	0	0	0	0	0	118,371	797,602	269,462

Country/Program: Ukraine

S.O. # , Title			Est. SO Pipeline at end of FY 99	FY 2000 Request									Est Expend. FY 00	Est Total cost life of SO	Mortgage at end of 2000
Approp Acct	Bilateral/ Field Spt	FY 2000 Total Request		Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G				
SO 1.1 Increased Transfer of State-owned Assets to the Private Sector															
	NI	Bilateral Field Spt	0	0	0	0	0	0	0	0	0	0	0	0	
	Total		0	0	0	0	0	0	0	0	0	0	45,452	0	
SO 1.2 Increased Soundness of Fiscal Policies/ Fiscal Management Practices															
	NI	Bilateral Field Spt	4,993	4,600	0	0	0	0	0	0	0	0	4,895	16,190	
	Total		4,993	4,600	0	0	0	0	0	0	0	4,895	40,000	16,190	
SO 1.3 Accelerated Development and Growth of Private Enterprises															
	NI	Bilateral Field Spt	43,563	38,725	0	0	0	0	0	0	0	42,353	69,100		
	Total		43,563	38,725	0	0	0	0	0	0	42,353	270,000	69,100		
SO 1.4 A More Competitive and Market- responsive Private Financial Sector															
	NI	Bilateral Field Spt	12,828	9,000	0	0	0	0	0	0	0	11,871	11,806		
	Total		12,828	9,000	0	0	0	0	0	0	11,871	85,000	11,806		
SO 1.5 Economically Sound/ Environmentally Sustainable Energy System															
	NI	Bilateral Field Spt	7,104	5,375	0	0	0	0	0	0	0	6,672	22,625		
	Total		7,104	5,375	0	0	0	0	0	0	6,672	70,000	22,625		
SO 1.6 A More Economically Sustainable Environment Sector															
	NI	Bilateral Field Spt	2,063	2,750	0	0	0	0	0	0	0	2,234	14,500		
	Total		2,063	2,750	0	0	0	0	0	0	2,234	20,000	14,500		
SO 2.1 Increased Citizens' Participation in Political/ Economic Decision- making															
	NI	Bilateral Field Spt	5,388	5,050	0	0	0	0	0	0	0	5,304	15,412		
	Total		5,388	5,050	0	0	0	0	0	0	5,304	43,000	15,412		
SO 2.2 Legal Systems that Support Democratic Processes and Market Reforms															
	NI	Bilateral Field Spt	3,700	2,800	0	0	0	0	0	0	0	3,475	17,763		
	Total		3,700	2,800	0	0	0	0	0	0	3,475	43,000	17,763		
SO 2.3 More Effective, Responsible and Accountable Local Government															
	NI	Bilateral Field Spt	3,170	3,200	0	0	0	0	0	0	0	3,178	20,575		
	Total		3,170	3,200	0	0	0	0	0	0	3,178	36,000	20,575		
SO 3.1 Reduced Human Suffering and Crisis Impact															
	NI	Bilateral Field Spt	0	0								0	0		
	Total		0	0	0	0	0	0	0	0	0	12,750	0		
SO 3.2 Improved Sustainability of Social Benefits and Services															
	NI	Bilateral Field Spt	12,541	6,800								11,106	10,467		
	Total		12,541	6,800	0	0	0	0	0	0	11,106	50,000	10,467		
SO 3.3 Reduced Environmental Risks to Public Health															
	NI	Bilateral Field Spt	0	0								0	0		
	Total		0	0	0	0	0	0	0	0	0	15,400	0		
SO 4.1 Special Initiatives / Cross-cutting Programs															
	NI	Bilateral Field Spt	17,209	15,700								16,832	(22,976)		
	Total		17,209	15,700	0	0	0	0	0	0	16,832	67,000	(22,976)		
Total Bilateral					0	0	0	0	0	0	0		0		
Total Field Support					0	0	0	0	0	0	0		0		
TOTAL PROGRAM			112,559	94,000	0	0	0	0	0	0	107,919	797,602	175,462		

GLOBAL FIELD SUPPORT

Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)					
				F Y 1 9 9 8		F Y 1 9 9 9		F Y 2 0 0 0	
				Obligated by:		Obligated by:		Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
SO 4.2	Increased Women's Participation - WID	Medium	3 years (1996-98)		448				
SO 4.1	Women's Health/ Family Planning	Medium	2 years (1998-99)		1,750		150		
SO 4.2	Participant Training	Medium	2 years		1,400		1,200		
SO 1.3 B	Enterprise Restructuring	Medium-high	3 years (1998-00)	2,900		2,000		100	
GRAND TOTAL.....				2,900	3,598	2,000	1,350	100	0

*For Priorities use high, medium-high, medium, medium-low, low

NARRATIVE FOR OE BUDGET

The Mission has revised its FY 98 OE budget to meet the Bureau's targeted USAID/Kiev funding level of \$5.5 million, as reflected in the corresponding R4 budget tables. Our original FY 98 OE request of \$6.9 million was designed to cover estimated one-time expenditures of \$1 million for leasing, furnishing, and renovating new office space, a projected 9% FSN salary increase, significant travel and training, and a reasonable level of NXP procurement. At the proposed \$5.5 million level, we will be forced to scale back dramatically.

USAID/Kiev has made a concerted effort over the past several months to reduce the pressure on our OE budget to the maximum extent possible. At the outset, an equitable share of our operating costs have been allocated to program funds as appropriate; FY 98 planned NXP procurement has been scaled back by 65% from FY 97 levels; projected travel and training has been reduced by 25% over the same period; and, policies on overtime and vehicle maintenance and usage have been tightened significantly. These management initiatives will go a long way towards trimming back discretionary spending to the maximum extent possible. Still, operating at the proposed \$5.5 million level will require more than prudent management of scarce OE resources -- it will require foregoing or deferring planned expenditures which we believe warrant consideration, should additional FY 98 OE funding become available during the course of the fiscal year.

The reductions referred to in the preceding paragraph include elimination or serious cutbacks in funding for:

NEW OFFICE SPACE - At the \$5.5 million OE level, building renovation will have to be done on a quasi force account basis rather than contracting with one firm for a complete turn-key renovation/construction project. This will undoubtedly add a few months to the project. An FBO Engineer out of Moscow is currently assessing the project, and updating the cost estimates which he feels are already underbudgeted. He is strongly advocating a turn-key contract, which would require an additional \$475,000 in FY 98 OE funding, but is much more manageable, requires less time, and is far less vulnerable to construction errors and inefficiencies. Moreover, without still another \$125,000 thousand in OE funding, we will not be able to install a back-up generator, or an elevator, the absence of which could render the workplace unsuitable for disabled personnel.

If we are not able to finish the building this fiscal year, we will be faced with an difficult situation. The Mission will not be able to give up costly temporary office space, which was leased through September of 1998 at \$10,000 per month, in order to remedy a serious space shortage problem until completion of renovation project. We have gone too far down the road with this project to turn back now, or to even delay it. If not completed on schedule (a probability without additional funding), we will have to renew the lease on the temporary office space, and continue paying rent on the building under renovation without being able to fully occupy the space.

NXP - Replacement of furniture and ADP equipment needed to furnish the new annex will have to be stretched over 2-3 years, which will negatively impact on the efficiency of Mission

operations. Obviously, it would be far preferable to have work stations and computer gear in place and operational when we take occupancy of the renovated facilities. However, if we are unable to initiate the procurement this fiscal year (which would require an additional \$350,000 beyond the \$5.5 million budget), we will be forced to make due with substandard equipment and very limited furniture from our stocks. Replacing old PCs with pentiums; procuring desperately needed printers, servers and ADP support equipment; furnishing office space; and, dealing with the Y2K problems are critical Mission management concerns which can only be addressed with an additional \$350,000 in OE funding.

Specific to the Y2K problem, the Mission has been in contact with IRM, but unfortunately, has not yet been able to develop a concrete plan of action. Frankly, we are still not clear on the parameters of the problem, nor the potential solutions. More technical assistance from IRM and related background information will be required before we are able to develop an effective approach to dealing with the problem. Likewise, developing an appropriate related ADP procurement plan will require further IRM consultations and orientation. This effort will be a priority for our System's Administration staff during the coming months.

HOUSING - Housing and utility costs will continue to rise, making it more difficult to maintain a residential portfolio that is consistent with western standards and with the rest of the Embassy community. This situation is of concern to the Mission, as it could impact on our ability to recruit and fill our U.S. personnel vacancies, and in particular, attract families to post. Until now, we have been able to maintain costs for apartments at an average of \$24 per square meter. However, recent efforts to locate housing and negotiate leases have confirmed that the market is getting more and more difficult, with prices on the rise.

Our housing portfolio will increase to about 40 units over the next year, as we hope to fill several long standing vacancies. The Mission would like to go on record that housing costs will continue to be a heavy drain on our resources, increasing over the R4 period, despite our best efforts to hold the line. As indicated in the attached budget tables, non-discretionary housing costs are projected to go up from \$577,000 in FY 97 to \$663,000 in FY 98, and on to \$800,000 in FY 99. This represents a 39% projected increase over a two year period.

STAFFING - The Mission has made a commitment to the Bureau to straight line our staffing numbers through 1999 at approximately 140 combined OE/program funded employees. This includes a recent effort to staff a new Regional Contracting Office, and to address a critical need for clerical personnel (our current ratio of professionals to clericals is way out of balance at one secretary for every 8.5 professionals). By hiring six clerk typists, we had hoped to reduce that ratio to one secretary for every 4.5 professionals. This situation was a major concern identified by the staff at a Mission-wide retreat held in December, since our professional/technical staff has traditionally been forced to do the lion's share of its own clerical work. The cost inefficiencies inherent in this situation are self-evident, yet our ability to hire the desperately needed additional clerical staff will likely be jeopardized under the current proposed OE funding level.

ICASS - The Mission has made a concerted effort to limit its dependence on ICASS to those situations where we have determined that it is less costly for us to obtain a given service in-

house or on the local market. As a result, we have been able to limit subscription to \$223,000 in FY 1998, under the current post ICASS-light program. Of that amount, \$78,000 will be appropriately attributed to program funding, while \$145,000 will be funded from the OE account.

In summary, while the Mission proposes to do everything prudently possible to manage within the allocated resource level, the real cost of operating at \$5.5 million in FY 98 will be very great in terms of its potential for compromising our building renovation project, and in terms of lost production and efficiency. As such, if any additional OE funding becomes available this fiscal year, we would request in the strongest terms that they be allocated to USAID/Kiev for the shortfalls described in this narrative.

Organization: USAID KIEV

[illegible]

Totals by Staffing Catagory - FY 1997 Ceiling

								Support Offices								
Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective3: (title)	Subtotal S.O. Staff	Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other	Subtotal Support Staff	Grand Total Staff
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	0	14	15
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
Total USPSCs	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
Total FSN/TCN Non Direct Hire	16	2	4	3	0	0	25	6	9	40	0	0	3	0	58	83
Total FSN/TCN (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
Total FSN/TCN (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
Total FSN/TCN Staff	16	2	4	3	0	0	25	6	9	40	0	0	3	0	58	83
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total FSN/TCN Staff	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total OE/TF Staff (includes USDH)	0	0	1	2	0	0	3	13	11	38	0	0	11	1	74	77
Total Program Funded Staff	28	5	6	3	0	0		0	0	5	0	0	0	0	5	5
Grand Total All Staff	28	5	7	5	0	0	45	13	11	43	0	0	11	1	79	124

Notes:

* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can devide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Organization: USAID KIEV

[illegible]

Totals by Staffing Catagory - FY 1998 Ceiling

								Support Offices								
Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other	Subtotal Support Staff	Grand Total Staff
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	1	15	16
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
Total USPSCs	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	2	7	30
Total FSN/TCN Non Direct Hire	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
Total FSN/TCN (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	0	53	55
Total FSN/TCN (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	2	7	30
Total FSN/TCN Staff	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total FSN/TCN Staff	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total OE/TF Staff (includes USDH)	0	0	1	2	0	0	3	13	11	38	0	0	11	2	75	78
Total Program Funded Staff	28	5	6	3	0	0		0	0	5	0	0	0	2	7	7
Grand Total All Staff	28	5	7	5	0	0	45	13	11	43	0	0	11	4	82	127

Notes:

* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can devide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Organization: USAID KIEV

[illegible]

Totals by Staffing Catagory - FY 1999 Target

								Support Offices								
Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective3: (title)	Subtotal S.O. Staff	Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other	Subtotal Support Staff	Grand Total Staff
USDH	0	0	0	1	0	0	1	7	2	1	0	0	4	1	15	16
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	2	0	0	4	1	7	7
USPSC (Program Funded)	12	3	2	1	0	0	18	0	0	0	0	0	0	0	0	18
Total USPSCs	12	3	2	1	0	0	18	0	0	2	0	0	4	1	7	25
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	2	55	57
FSN/TCN Non Direct Hire (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
Total FSN/TCN Non Direct Hire	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
Total FSN/TCN (OE/TF)	0	0	1	1	0	0	2	6	9	35	0	0	3	2	55	57
Total FSN/TCN (Program Funded)	16	2	3	2	0	0	23	0	0	5	0	0	0	0	5	28
Total FSN/TCN Staff	16	2	4	3	0	0	25	6	9	40	0	0	3	2	60	85
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total FSN/TCN Staff	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
Total OE/TF Staff (includes USDH)	0	0	1	2	0	0	3	13	11	38	0	0	11	4	77	80
Total Program Funded Staff	28	5	6	3	0	0		0	0	5	0	0	0	0	5	5
Grand Total All Staff	28	5	7	5	0	0	45	13	11	43	0	0	11	4	82	127

Notes:

* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can devide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Organization: _____

[illegible]

Totals by Staffing Catagory - FY 1999 Request

								Support Offices								
Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective3: (title)	Subtotal S.O. Staff	Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other	Subtotal Support Staff	Grand Total Staff
USDH	0	0	0		0	0	0				0	0		0	0	0
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
USPSC (Program Funded)					0	0	0	0	0	0	0	0	0	0	0	0
Total USPSCs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (Program Funded)					0	0	0	0	0		0	0	0	0	0	0
Total FSN/TCN Non Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN (Program Funded)					0	0	0	0	0		0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE/TF Staff (includes USDH)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Program Funded Staff	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0
Grand Total All Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Notes:

* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can devide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Org. Title: USAID KIEV
Org. No: 121
OC

Org. Title: USAID KIEV
Org. No: 121
OC

FY 97			FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
FY 97			FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

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OC

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OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEVOrg. No: 121

OC

FY 97				FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21.0	Travel and transportation of persons											
21.0	Training Travel											
21.0	Mandatory/Statutory Travel											
21.0	Post Assignment Travel - to field			30.0		30.0	25.0		25.0			0.0
21.0	Assignment to Washington Travel			5.0		5.0	0.0		0.0			0.0
21.0	Home Leave Travel			10.0		10.0	25.0		25.0			0.0
21.0	R & R Travel			17.5		17.5	20.0		20.0			0.0
21.0	Education Travel			0.0		0.0	0.0		0.0			0.0
21.0	Evacuation Travel			30.0		30.0	30.0		30.0			0.0
21.0	Retirement Travel					0.0			0.0			0.0
21.0	Pre-Employment Invitational Travel					0.0			0.0			0.0
21.0	Other Mandatory/Statutory Travel					0.0			0.0			0.0
21.0	Operational Travel											
21.0	Site Visits - Headquarters Personnel			30.0		30.0	30.0		30.0			0.0
21.0	Site Visits - Mission Personnel			100.0		100.0	100.0		100.0			0.0
21.0	Conferences/Seminars/Meetings/Retreats			95.0		95.0	95.0		95.0			0.0
21.0	Assessment Travel					0.0			0.0			0.0
21.0	Impact Evaluation Travel					0.0			0.0			0.0
21.0	Disaster Travel (to respond to specific disasters)					0.0			0.0			0.0
21.0	Recruitment Travel					0.0			0.0			0.0
21.0	Other Operational Travel			135.0		135.0	135.0		135.0			0.0
	Subtotal OC 21.0			677.5	0.0	677.5	685.0	0.0	685.0	0.0	0.0	0.0
22.0	Transportation of things											
22.0	Post assignment freight			270.0		270.0	225.0		225.0			0.0
22.0	Home Leave Freight			62.0		62.0	30.0		30.0			0.0
22.0	Retirement Freight					0.0			0.0			0.0
22.0	Transportation/Freight for Office Furniture/Equip.			10.0		10.0	30.0		30.0			0.0
22.0	Transportation/Freight for Res. Furniture/Equip.			5.0		5.0	5.0		5.0			0.0
	Subtotal OC 22.0			347.0	0.0	347.0	290.0	0.0	290.0	0.0	0.0	0.0
23.2	Rental payments to others											
23.2	Rental Payments to Others - Office Space			739.2		739.2	639.2		639.2			0.0
23.2	Rental Payments to Others - Warehouse Space			40.0		40.0	40.0		40.0			0.0
23.2	Rental Payments to Others - Residences			659.9		659.9	659.9		659.9			0.0
	Subtotal OC 23.2			1,439.1	0.0	1,439.1	1,339.1	0.0	1,339.1	0.0	0.0	0.0
23.3	Communications, utilities, and miscellaneous charges											
23.3	Office Utilities			60.0		60.0	60.0		60.0			0.0
23.3	Residential Utilities			42.0		42.0	42.0		42.0			0.0
23.3	Telephone Costs			110.0		110.0	110.0		110.0			0.0
23.3	ADP Software Leases					0.0			0.0			0.0
23.3	ADP Hardware Lease					0.0			0.0			0.0
23.3	Commercial Time Sharing					0.0			0.0			0.0
23.3	Postal Fees (Other than APO Mail)			0.6		0.6	0.6		0.6			0.0
23.3	Other Mail Service Costs					0.0			0.0			0.0
23.3	Courier Services			8.4		8.4	8.4		8.4			0.0
	Subtotal OC 23.3			221.0	0.0	221.0	221.0	0.0	221.0	0.0	0.0	0.0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEVOrg. No: 121

OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
24.0 Printing and Reproduction			0.0			0.0			0.0			0.0
Subtotal OC 24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.1 Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1 Studies, Analyses, & Evaluations			0.0			0.0			0.0			0.0
25.1 Management & Professional Support Services			0.0			0.0			0.0			0.0
25.1 Engineering & Technical Services			0.0			0.0			0.0			0.0
Subtotal OC 25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2 Office Security Guards	64.0		64.0	64.0		64.0	64.0		64.0			0.0
25.2 Residential Security Guard Services			0.0			0.0			0.0			0.0
25.2 Official Residential Expenses			0.0			0.0			0.0			0.0
25.2 Representation Allowances	1.0		1.0	1.0		1.0	1.0		1.0			0.0
25.2 Non-Federal Audits			0.0			0.0			0.0			0.0
25.2 Grievances/Investigations			0.0			0.0			0.0			0.0
25.2 Insurance and Vehicle Registration Fees	3.0		3.0	3.0		3.0	3.0		3.0			0.0
25.2 Vehicle Rental			0.0			0.0			0.0			0.0
25.2 Manpower Contracts	55.0		55.0	55.0		55.0	55.0		55.0			0.0
25.2 Records Declassification & Other Records Services			0.0			0.0			0.0			0.0
25.2 Recruiting activities			0.0			0.0			0.0			0.0
25.2 Penalty Interest Payments			0.0			0.0			0.0			0.0
25.2 Other Miscellaneous Services	125.0		125.0	150.0		150.0	175.0		175.0			0.0
25.2 Staff training contracts	65.2		65.2	65.2		65.2	65.2		65.2			0.0
25.2 ADP related contracts			0.0			0.0			0.0			0.0
Subtotal OC 25.2	313.2	0.0	313.2	338.2	0.0	338.2	363.2	0.0	363.2	0.0	0.0	0.0
25.3 Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3 ICASS	0.0		0.0	210.0		210.0	225.0		225.0			0.0
25.3 All Other Services from Other Gov't. accounts			0.0			0.0			0.0			0.0
Subtotal OC 25.3	0.0	0.0	0.0	210.0	0.0	210.0	225.0	0.0	225.0	0.0	0.0	0.0
25.4 Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4 Office building Maintenance	41.0		41.0	100.0		100.0	110.0		110.0			0.0
25.4 Residential Building Maintenance	6.0		6.0	8.0		8.0	10.0		10.0			0.0
Subtotal OC 25.4	47.0	0.0	47.0	108.0	0.0	108.0	120.0	0.0	120.0	0.0	0.0	0.0
25.6 Medical Care			0.0			0.0			0.0			0.0
Subtotal OC 25.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.7 Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7 ADP and telephone operation and maintenance costs	55.0		55.0	5.0		5.0	5.0		5.0			0.0
25.7 Storage Services			0.0			0.0			0.0			0.0
25.7 Office Furniture/Equip. Repair and Maintenance	5.0		5.0	5.0		5.0	5.0		5.0			0.0
25.7 Vehicle Repair and Maintenance	35.0		35.0	35.0		35.0	35.0		35.0			0.0
25.7 Residential Furniture/Equip. Repair and Maintenance	1.0		1.0	1.0		1.0	1.0		1.0			0.0
Subtotal OC 25.7	96.0	0.0	96.0	46.0	0.0	46.0	46.0	0.0	46.0	0.0	0.0	0.0

OVERSEAS MISSION BUDGET REQUEST

OE-2XXXX.wk4

Org. Title: USAID KIEVOrg. No: 121

OC

25.8 **Substance and support of persons (by contract or Gov't.)****Subtotal OC 25.8**26.0 **Supplies and materials****Subtotal OC 26.0**31.0 **Equipment**

31.0 Purchase of Residential Furniture/Equip.

31.0 Purchase of Office Furniture/Equip.

31.0 Purchase of Vehicles

31.0 Purchase of Printing/Graphics Equipment

31.0 ADP Hardware purchases

31.0 ADP Software purchases

Subtotal OC 31.032.0 **Lands and structures**

32.0 Purchase of Land & Buildings (& construction of bldgs.)

32.0 Purchase of fixed equipment for buildings

32.0 Building Renovations/Alterations - Office

32.0 Building Renovations/Alterations - Residential

Subtotal OC 32.042.0 **Claims and indemnities****Subtotal OC 42.0****TOTAL BUDGET**

FY 97			FY 98			Requested FY 99			Targeted FY 99		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
		0.0			0.0			0.0			0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
50.0		50.0	55.0		55.0	62.0		62.0			0.0
50.0	0.0	50.0	55.0	0.0	55.0	62.0	0.0	62.0	0.0	0.0	0.0
Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
161.0		161.0	40.0		40.0	120.0		120.0			0.0
9.0		9.0	20.0		20.0	20.0		20.0			0.0
0.0		0.0	60.0		60.0	60.0		60.0			0.0
		0.0			0.0			0.0			0.0
95.4		95.4	190.0		190.0	200.0		200.0			0.0
25.0		25.0	40.0		40.0	50.0		50.0			0.0
290.4	0.0	290.4	350.0	0.0	350.0	450.0	0.0	450.0	0.0	0.0	0.0
Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
		0.0			0.0			0.0			0.0
		0.0			0.0			0.0			0.0
315.0		315.0	0.0		0.0	0.0		0.0			0.0
		0.0			0.0			0.0			0.0
315.0	0.0	315.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.0			0.0			0.0			0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6,020.3	0.0	6,020.3	6,185.2	0.0	6,185.2	6,000.0	0.0	6,000.0	0.0	0.0	0.0

The following line is to be used to show your estimate of FY 98 and FY 99 Program Funded ICASS costs.

Enter dollars in thousands - same format as above.

	FY 98 Est.	FY 99 Est.
ICASS - Program Funded	60.0	60.0

TRUST FUNDS & FSN SEPARATION FUND

Orgno: FN-22121

Org. Title: Ukraine

Foreign National Voluntary Separation Account

Action	FY 97			FY 98			FY 99		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits			0.0			0.0			0.0
Withdrawals			0.0			0.0			0.0

Unfunded Liability (if any)
at the end of each FY.

Local Currency Trust Funds - Regular (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations			
Deposits			
Balance End of Year	0.0	0.0	0.0

Exchange Rate(s) Used

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

Local Currency Trust Funds - Real Property (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations			
Deposits			
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalents, not in Local Country Equivalents